
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): May 14, 2014

HARBINGER GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-4219
(Commission
File Number)

74-1339132
(IRS Employer
Identification No.)

**450 Park Avenue, 30th Floor,
New York, NY**
(Address of Principal Executive Offices)

10022
(Zip Code)

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

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure

On May 14, 2014, Harbinger Group Inc. (“HGI” or the “Company”) announced that it is soliciting (the “Consent Solicitation”) the holders of its 7.875% Senior Secured Notes due 2019 (the “Senior Secured Notes”) to amend (the “Proposed Amendments”) the indenture governing the Senior Secured Notes (the “Secured Indenture”) to provide the Company with, among other things, greater flexibility to repurchase or redeem its outstanding common stock. The terms and conditions of the Consent Solicitation are described in the consent solicitation statement dated May 9, 2014 (the “Statement”), attached hereto as Exhibit 99.1. The Company also announced that, as of May 14, 2014, the beneficial holders of a majority of principal amount of the outstanding Senior Secured Notes had committed to consent to the Proposed Amendments. Such beneficial owners were not paid a consent fee by HGI and will have the right to participate pro-rata with other holders of the Senior Secured Notes in the Offer (as defined below).

Concurrently with the Consent Solicitation, the Company commenced an offer (the “Offer”) to exchange a portion of its outstanding Senior Secured Notes for up to \$350,000,000 aggregate principal amount of new 7.750% Senior Notes due 2022. The terms and conditions of the Offer are described in the offering memorandum, dated May 14, 2014 (the “Offering Memorandum”), and the related letter of transmittal (the “Letter of Transmittal”), attached hereto as Exhibits 99.2 and 99.3, respectively. The Proposed Amendments will not be operative until the Company’s acceptance, subject to any required proration, of the Senior Secured Notes validly tendered (and not validly withdrawn) as of the early tender time of the Offer. The Proposed Amendments will be reflected in a supplemental indenture (the “Supplemental Indenture”) with Wells Fargo Bank, National Association, the trustee under the Secured Indenture, substantially in the form attached hereto as Exhibit 99.4.

If the Proposed Amendments become operative, the Company will have the ability to purchase HGI common stock pursuant to a new \$100 million share repurchase program authorized by the Company’s board of directors. The repurchase program authorizes purchases to be made from time to time in one or more open market or private transactions. The manner of purchase, the number of shares to be purchased and the timing of purchases will be based on the price of HGI’s common stock, general business and market conditions and applicable legal requirements, and is subject to the discretion of HGI’s management. The program does not require HGI to purchase any specific number of shares or any shares at all, and may be suspended, discontinued or re-instituted at any time without prior notice. The Company may fund any such repurchase with cash on hand or other borrowings.

A copy of the press release issued by the Company with respect to the transactions described above is attached hereto as Exhibit 99.5.

The foregoing summary description of the Consent Solicitation, the Proposed Amendments, the Offer and the Supplemental Indenture has been included to provide investors and security holders with information regarding their terms and is qualified in its entirety by reference to the full text of the form of the Statement, the Offering Memorandum, the Letter of Transmittal and the form of Supplemental Indenture, which are attached as Exhibits 99.1, 99.2, 99.3 and 99.4, respectively, and incorporated herein by reference.

This information shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any of HGI’s filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

Forward Looking Statements

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995: This report contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements, including those statements regarding the transactions described herein. These statements are

based on the beliefs and assumptions of HGI's management and the management of HGI's subsidiaries (including target businesses). Generally, forward-looking statements include information concerning the transactions described herein, other actions, events, results, strategies and expectations and are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. Factors that could cause actual results, events and developments to differ include, without limitation, the Offer not being consummated, the Proposed Amendments not becoming operative, a change in the Company's current intention to repurchase its common stock, capital market conditions, the ability of HGI's subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, HGI and its subsidiaries ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HGI or HGI subsidiaries, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, changes in regulations, taxes and the risks that may affect the performance of the operating subsidiaries of HGI and those factors listed under the caption "Risk Factors" in HGI's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. HGI does not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operation results.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable
- (b) Not applicable
- (c) Not applicable
- (d) Exhibits

The following exhibits are being furnished with this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Consent Solicitation Statement, dated May 9, 2014.
99.2	Offering Memorandum, dated May 14, 2014.
99.3	Letter of Transmittal.
99.4	Form of First Supplemental Indenture by and between Harbinger Group Inc. and Wells Fargo, National Association.
99.5	Press Release.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned, thereunto duly authorized.

HARBINGER GROUP INC.

By: /s/ Ehsan Zargar

Name: Ehsan Zargar

Title: Senior Vice President, Deputy General Counsel
and Corporate Secretary

Dated: May 14, 2014

**Exhibit
No.**

Description

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99.5	Press Release.

CONSENT SOLICITATION STATEMENT

Harbinger Group Inc.

Consent Solicitation Relating to

\$925,000,000 Aggregate Principal Amount of 7.875% Senior Secured Notes due 2019 (CUSIP No. 41146ADPX)

THE CONSENT SOLICITATION (AS DEFINED HEREIN) EXPIRES AT 5:00 P.M. NEW YORK CITY TIME ON MAY 23, 2014 UNLESS EXTENDED BY US (SUCH TIME AND DATE AS IT MAY BE EXTENDED THE "EXPIRATION TIME"). CONSENTS WITH RESPECT TO THE NOTES (AS DEFINED HEREIN) MAY BE REVOKED AT ANY TIME PRIOR TO THE EARLIER OF (I) THE EXPIRATION TIME AND (II) THE TIME AT WHICH THE REQUISITE CONSENTS (AS DEFINED HEREIN) FOR THE NOTES HAVE BEEN RECEIVED (SUCH TIME THE "REVOCATION DEADLINE").

The Consent Solicitation

In this consent solicitation statement (as it may be amended or supplemented from time to time, the "**Statement**") and the accompanying consent letter with respect to its 7.875% Senior Secured Notes due 2019 (the "**Notes**," and such consent letter, the "**Consent Letter**" and together with this Statement, the "**Solicitation Documents**"), Harbinger Group Inc. (the "**Company**") is soliciting (the "**Consent Solicitation**") consents (each a "**Consent**," and collectively, the "**Consents**") to proposed amendments (the "**Proposed Amendments**") to the Indenture dated as of December 24, 2012 (as amended and supplemented through the date hereof, the "**Indenture**") between the Company and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"), which Indenture governs the Notes, from each person in whose name a Note was registered at 5:00 p.m., New York City time, on May 8, 2014 (the "**Record Date**") or their duly designated proxies, including for the purposes of the Consent Solicitation, persons who held Notes through The Depository Trust Company ("**DTC**") as of the Record Date ("**DTC Participants**") and, together with such registered holders, the "**Holders**"). Capitalized terms used but not defined herein have the respective meanings set forth in the Indenture.

The Company is soliciting Consents to the Proposed Amendments in order to amend certain defined terms and to amend Section 4.07 under the Indenture. The Proposed Amendments would amend Section 4.07 of the Indenture and the related definition of Consolidated Net Income to permit the Company greater flexibility to make restricted payments, including an additional ability to make payments of up to \$100 million in connection with repurchases of its equity securities. See "Description of the Proposed Amendments."

Pursuant to the terms of the Indenture and the Consent Solicitation, adoption of the Proposed Amendments with respect to the Notes requires the Consent of Holders as of the Record Date of a majority in principal amount of the outstanding Notes not owned by the Company or any of its affiliates as of the Record Date (such consents, the "**Requisite Consents**"). Promptly after the receipt of the Requisite Consents on or prior to the Expiration Time, the Company and the Trustee will execute a supplemental indenture (the "**Supplemental Indenture**").

The Company will not pay a consent fee to Holders for providing Consents hereunder.

The Company reserves the right, subject to applicable law, to amend, waive or modify the terms of the Consent Solicitation or extend the Expiration Time for any reason, or to terminate the Consent Solicitation for any reason, in which case the Proposed Amendments would not be adopted.

May 9, 2014

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE COMPANY	3
DESCRIPTION OF THE PROPOSED AMENDMENTS	4
THE CONSENT SOLICITATION	8
THE EXCHANGE OFFER	12
RISK FACTORS	12
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS	14
WHERE YOU CAN FIND MORE INFORMATION	16
FORWARD-LOOKING STATEMENTS	17

INTRODUCTORY STATEMENT

The Solicitation Documents contain information regarding us, the Proposed Amendments and the Consent Solicitation. We urge you to read the Solicitation Documents carefully. You should rely only on the information contained in this Statement or to which we have referred you. We have not authorized anyone to provide you with information that is different from that contained in this Statement, and if provided, such information must not be relied upon as having been authorized by us, the Trustee, the Solicitation Agents (as defined herein), if any, the Tabulation Agent (as defined herein) and the Information Agent (as defined herein), if any, or any other person. The information in this Statement may only be accurate on the date of this Statement. None of the Trustee, the Solicitation Agents, if any, the Tabulation or the Information Agent, if any, have independently verified nor do any of such entities make any representation or warranty, express or implied, or assume any responsibility, as to the accuracy or adequacy of the information contained herein. In this Statement, unless otherwise indicated or the context requires otherwise, the “**Company**,” “**we**,” “**us**” and “**our**” refers to Harbinger Group Inc., the issuer of the Notes.

We are not aware of any jurisdiction in which the making of the Consent Solicitation is not in compliance with applicable law. If we become aware of any jurisdiction in which the making of the Consent Solicitation would not be in compliance with applicable law, we will make a good faith effort to comply with such law. If, after such good faith effort, we cannot comply with any such law, the Consent will not be solicited from Holders residing in such jurisdictions.

This Statement is being furnished to the Holders so that they can consider consenting to the Proposed Amendments. We have not authorized its use for any other purpose. This Statement may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the Holders to whom it is provided. By accepting delivery of this Statement, you agree to these restrictions.

This Statement is based on information provided by us and by other sources. We cannot assure you that this information is accurate or complete, and the delivery of this Statement shall not under any circumstances create any implication that the information contained herein is correct, as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in our affairs since the date hereof. This Statement summarizes certain documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Statement. In making a decision, you must rely on your own examination of us and the terms of the Consent Solicitation, including the merits and risks involved. You should not consider any information in this Statement to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding the Consent Solicitation.

If you have questions about the Consent Solicitation, you should contact the Tabulation Agent at the addresses and telephone number set forth on the last page of this Statement.

By accepting receipt of a copy of this Statement and any documents referred to in this Statement, or by making any other requests for additional information relating to the Consent Solicitation, each Holder agrees to keep confidential the contents of the various documents including this Statement and all other written information that from time to time has been or will be disclosed to such Holder concerning us or any of our affiliates, and agrees not to disclose any portion of such information to any person other than its own consultants and advisors, or as may be required by applicable law or in a legal proceeding involving us or any of our affiliates. This prohibition does not apply to documents and other written information that are already of public record at the time of such disclosure.

The Company may extend, amend or terminate the Consent Solicitation in its sole discretion, subject to applicable law. The Company is making the Consent Solicitation subject to the terms and conditions described in the Solicitation Documents.

Subject to applicable law and existing debt agreements of the Company, we may purchase or exchange Notes in the open market, in privately negotiated transactions, through tender offers or otherwise or we may redeem Notes that are able to be redeemed, if any, pursuant to their terms. Any future purchases will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) we may choose to pursue during or following the Consent Solicitation.

The Company, its subsidiaries, its affiliates, the Trustee, the Solicitation Agents, if any, the Tabulation Agent and the Information Agent, if any, do not make any recommendation as to whether or not the Holders should Consent to the adoption of the Proposed Amendments.

None of this Statement, the Consent Letter or any related documents have been approved or reviewed by the United States Securities and Exchange Commission (the "SEC") or any United States federal or state securities commission or regulatory authority. No authority has passed upon the accuracy or adequacy of any of this Statement, the Consent Letter or any related documents, and it is unlawful to make any representation to the contrary.

THE COMPANY

We are a diversified holding company focused on acquiring businesses with attractive assets that we consider to be undervalued or fairly valued and growing our acquired businesses. Our principal holdings include the following: (i) Spectrum Brands Holdings, Inc., our subsidiary that provides global branded consumer products; (ii) Fidelity & Guaranty Life, our subsidiary that provides life insurance and annuity products; (iii) Front Street Re (Cayman) Ltd. and Front Street Re Ltd., our subsidiaries engaged in the business of providing long-term reinsurance, including reinsurance to the specialty insurance sector of fixed, deferred and payout annuities; (iv) Salus Capital Partners, LLC, our subsidiary engaged primarily in the business of providing secured asset-based loans across a variety of industries; and (v) HGI Energy Holdings, LLC, our subsidiary that holds our interests in a joint venture engaged in owning and operating producing conventional oil and gas assets. We hold certain of our assets, manage a portion of our available cash and acquire interests in possible acquisition targets through our wholly-owned subsidiary, HGI Funding, LLC. We were incorporated in Delaware in 1954 under the name Zapata Corporation and reincorporated in Nevada in April 1999 under the same name. On December 23, 2009, we reincorporated in Delaware under the name Harbinger Group Inc. Our common stock trades on the New York Stock Exchange under the symbol “HRG.”

DESCRIPTION OF THE PROPOSED AMENDMENTS

In this Statement and the accompanying Consent Letter, the Company is soliciting Consents to the Proposed Amendments to the Indenture that governs the Notes from the Holders of record on the Record Date. The Notes were issued in an original aggregate principal amount of \$700.0 million on December 24, 2012, and an additional \$225.0 million aggregate principal amount of Notes were subsequently issued on July 23, 2013. All of the Notes remain outstanding as of the date hereof.

The Proposed Amendments would permit the Company greater flexibility to make Restricted Payments, including an additional ability to make payments of up to \$100 million in connection with repurchases of its equity securities.

Set forth below is a brief description of the Proposed Amendments to the Indenture, which would be implemented by a Supplemental Indenture. Promptly after the Expiration Time, subject to receipt of the Requisite Consents, the Company and the Trustee will execute the Supplemental Indenture. The Supplemental Indenture will not become operative unless and until the General Condition (as defined below) is satisfied or waived upon the Company's acceptance, subject to pro ration, of the Notes validly tendered (and not validly withdrawn), as of the early tender deadline in connection with the proposed Exchange Offer (as described in "The Exchange Offer," below).

A. Amendments to Section 4.07 (Limitation on Restricted Payments)

The Proposed Amendments would amend Section 4.07 of the Indenture as follows (capitalized terms used but not defined herein have the meanings given to them in the Indenture, as amended by the Proposed Amendments, amended language shown in strikethrough or bold, underlined text, as applicable):

(a) The Company will not, and, to the extent within the Company's control, will not permit any of its Subsidiaries (including any Guarantor) to, directly or indirectly (the payments and other actions described in the following clauses being collectively "**Restricted Payments**"):

(i) declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in the Company's Qualified Equity Interests) held by Persons other than the Company or any of its Subsidiaries;

(ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company held by Persons other than the Company or any of its Subsidiaries;

(iii) repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt of the Company or any Guarantor except a payment of interest or principal at Stated Maturity; or

(iv) make any Investment in any direct or indirect parent of the Company;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) no Default has occurred and is continuing,

(2) the Company could Incur at least \$1.00 of Debt under paragraph (b)(1) of Section 4.06, and

(3) the aggregate amount expended for all Restricted Payments made on or after the ~~Issue Date~~ **January 21, 2014** would not, subject to paragraph (c), exceed the sum of

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a

cumulative basis during the period, taken as one accounting period, beginning with the first fiscal quarter commencing after the ~~Issue Date~~ January 21, 2014 and ending on the last day of the Company's most recently completed fiscal quarter for which internal financial statements are available, plus

(B) subject to paragraph (c), the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Company (other than from a Subsidiary) after the ~~Issue Date~~ January 21, 2014

(i) from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of the Company, or

(ii) as a contribution to its common equity (other than Equity Interests sold to a Subsidiary), plus

(C) ~~\$30,000,000~~ 30,000,000.

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the Company's Board of Directors, whose determination will be conclusive and evidenced by a Board Resolution.

Section 4.07(b) (Limitation on Restricted Payments) shall be revised to modify clause (6) as follows:

(6) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company held by officers, directors or employees or former officers, directors or employees (or their estates or beneficiaries under their estates), upon death, disability, retirement, severance or termination of employment or pursuant to any agreement under which the Equity Interests were issued; *provided* that the aggregate cash consideration paid therefor in any fiscal year, commencing with the fiscal year during which the Issue Date occurred, does not exceed an aggregate amount equal to the sum of (x) ~~\$10,000,000~~ 25,000,000 and (y) the amount of Restricted Payments permitted but not made pursuant to this clause (6) in prior fiscal years commencing with the fiscal year during which the Issue Date occurred, *provided* that no more than ~~\$20,000,000~~ 50,000,000 may be carried forward from a ~~prior~~ fiscal year to a ~~new~~ the next succeeding fiscal year such that ~~any~~ the aggregate amount of cash consideration paid pursuant to this clause (6) in any fiscal year shall not exceed ~~\$30,000,000~~ 50,000,000;

and to add clause (14) as follows:

(14) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company in an aggregate amount not to exceed \$100,000,000.

Section 4.07(c) and Section 4.07(d) (Limitation on Restricted Payments) shall be revised as follows:

(c) Proceeds of the issuance of Qualified Equity Interests will be included under clause (3) of paragraph (a) only to the extent they are not applied as described in clause (4) or (5) of paragraph (b). Restricted Payments permitted pursuant to clauses (2) through (9), (11) ~~and~~, (12) and (14) will not be included in making the calculations under clause (3) of paragraph (a).

(d) For purposes of determining compliance with this Section 4.07, in the event that a proposed Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through ~~(13)~~ (14) above, or is entitled to be incurred pursuant to paragraph (a) of this Section 4.07, the Company will be entitled to divide, classify or re-classify (based on circumstances existing at the time of such re-classification) such Restricted Payment (or portion thereof) in any manner that complies with this Section 4.07 and such Restricted Payment will be treated as having been made pursuant to only such clause or clauses or the paragraph (a) of this Section 4.07.

B. Amendments to Section 1.01 (Definition of “Consolidated Net Income”)

The Proposed Amendments would amend and restate the definition of “**Consolidated Net Income**” as follows (capitalized terms used but not defined herein have the meanings given to them in the Indenture, as amended by the Proposed Amendments, amended language shown in strikethrough or bold, underlined text, as applicable):

“**Consolidated Net Income**” means, for any period, the aggregate net income (or loss) of the Company and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, provided that the following (without duplication) will be excluded in computing Consolidated Net Income:

(1) the net income (or loss) of any Person that is not a Guarantor, ~~except that net income shall be included to the extent of the~~**provided, however, that** dividends or other distributions actually paid in cash to the Company or any of the Guarantors by such Person during such period **shall be included**;

(2) any net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net after-tax gains or losses attributable to or associated with the extinguishment of Debt or Hedging Agreements;

(4) the cumulative effect of a change in accounting principles;

(5) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock or other rights;

(6) to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption;

(7) any expenses or charges related to any issuance of Equity Interests, acquisition, disposition, recapitalization or issuance, repayment, refinancing, amendment or modification of Debt (including amortization or write offs of debt issuance or deferred financing costs, premiums and prepayment penalties), in each case, whether or not successful, including any such expenses or charges attributable to the issuance and sale of the Notes and the consummation of the exchange offer pursuant to the Registration Rights Agreement;

(8) any expenses or reserves for liabilities to the extent that the Company or any Subsidiary of the Company is entitled to indemnification therefor under binding agreements; provided that any liabilities for which the Company or such Subsidiary is not actually indemnified shall reduce Consolidated Net Income in the period in which it is determined that the Company or such Subsidiary will not be indemnified;

(9) to the extent specifically included in the unconsolidated Statement of Operations of the Company, (a) unrealized gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP shall be excluded (until realized, at which time such gains or losses shall be included); and (b) unrealized gains and losses with respect to hedging obligations for currency exchange risk shall be excluded (until realized, at which time such gains or losses shall be included); and

(10) to the extent specifically included in the unconsolidated Statement of Operations of the Company, any charges resulting from the application of FASB ASC 350, Intangibles—Goodwill and Other, ASC 815, Accounting for Derivative Instruments and Hedging Activities, Accounting Standards Codification Topic 360-10-35-15, Impairment or Disposal of Long-Lived Assets, Accounting Standards Codification Topic 480-10-25-4, Distinguishing Liabilities from Equity—Overall Recognition, or Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures, the amortization of intangibles arising pursuant to FASB ASC 805, Business Combinations, non-cash interest expense resulting from the application of Accounting Standards Codification Topic 470-20 Debt—Debt with Conversion Options—Recognition, and any non-cash income tax expense that results from the inability to include deferred tax liabilities related to indefinite lived intangible assets as future reversals of temporary differences under FASB ASC 740-10-30-18, non-cash charges arising from the springing maturity feature of the Notes any Debt, and restructuring and related charges and acquisition and related integration charges.

THE CONSENT SOLICITATION

The following is a brief description of the terms and conditions of the Consent Solicitation. While we believe that the following description covers the material terms of the Consent Solicitation, this summary may not contain all of the information that is important to you. For a more complete understanding of the Consent Solicitation, you should carefully read the Solicitation Documents in their entirety and the other documents to which we refer herein.

General

The Company is soliciting Consents to the Proposed Amendments from Holders of Notes as of the Record Date, upon the terms and subject to the conditions set forth in the Solicitation Documents. The valid completion, execution and delivery of the Consent Letter by you prior to the Expiration Time will constitute delivery of Consent by you to the Proposed Amendments. The Company is seeking Consents to the Proposed Amendments as a whole. Accordingly, a Consent purporting to consent to only some of the Proposed Amendments will not be valid. Promptly after the receipt of the Requisite Consents on or prior to the Expiration Time, the Company intends to enter into the Supplemental Indenture with the Trustee, which, upon satisfaction or waiver of the General Condition (defined below) and upon the Company's acceptance, subject to pro ration, of the Notes validly tendered (and not validly withdrawn) as of the early tender deadline in connection with the proposed Exchange Offer (as described in "The Exchange Offer," below), will become operative to amend the Indenture to give effect to the Proposed Amendments. Consents can be revoked only in accordance with the procedures described in "—Revocation of Consents" below. Regardless of whether the Proposed Amendments or the Supplemental Indenture become operative, the Notes will continue to be outstanding in accordance with all other terms of the Notes and the Indenture.

Upon the Supplemental Indenture becoming operative, all Holders will be bound by the terms of the Supplemental Indenture, even if they did not Consent to the Proposed Amendments. While the Company expects to execute the Supplemental Indenture promptly after the receipt of the Requisite Consents on or prior to the Expiration Time, the terms of the Supplemental Indenture will not become operative unless and until the General Condition has been satisfied or waived and upon the Company's acceptance, subject to pro ration, of the Notes validly tendered (and not validly withdrawn) as of the early tender deadline in connection with the proposed Exchange Offer (as described in "The Exchange Offer," below).

The Company is offering to exchange up to \$350 million aggregate principal amount (the "**Tender Cap**") of its 7.750% Senior Notes due 2022 (the "**Additional Senior Notes**") for properly tendered (and not withdrawn) outstanding Notes (the "**Exchange Offer**"). The commencement of the Exchange Offer is subject to the receipt of the Requisite Consents to approve the Proposed Amendments. Each holder of Notes who consents to the Proposed Amendments may tender up to all of the Notes owned by such holder in the Exchange Offer. Holders who do not consent to the Proposed Amendments may also tender their Notes in the Exchange Offer. If the principal amount of Notes properly tendered (and not withdrawn) in exchange for Additional Senior Notes exceeds the Tender Cap, the Company will (i) first, accept Notes on a ratable basis based on the Notes tendered on or prior to the early tender date (as defined in the Exchange Offer documents), and (ii) second, accept Notes on a ratable basis based on the Notes tendered after the early tender date and on or prior to the expiration date of the Exchange Offer.

The provisions of the Indenture may be amended with the Consent of Holders of not less than a majority in aggregate principal amount of the outstanding Notes (subject to certain exceptions, none of which are applicable to the Proposed Amendments) not owned by the Company or its affiliates. In determining whether the Company has received the Requisite Consents, Notes owned by the Company or any affiliate of the Company as of the Record Date shall be deemed not to be outstanding, except that for the purpose of determining whether the Trustee shall be protected in relying on any such Consents, only Notes that the Trustee knows to be so owned by the Company or any affiliate of the Company shall be so disregarded.

Consent Fee

The Company will not pay a consent fee to Holders for providing Consents hereunder.

Conditions to the Consent Solicitation

The Consent Solicitation is conditioned on (a) there being received prior to the Expiration Time (and not validly revoked) the Requisite Consents and (b) the absence of any existing or proposed law or regulation that would, and the absence of any injunction or action or other proceeding that (in the case of any action or proceeding, if adversely determined) would, make unlawful or invalid or enjoin or delay the implementation of the Proposed Amendments, the entering into of the Supplemental Indenture or question the legality or validity of any thereof (the “**General Condition**”). The General Condition is for the Company’s sole benefit and may be asserted by the Company, in its sole discretion, regardless of the circumstances giving rise to such conditions or may be waived by the Company, in whole or in part, in its sole discretion, whether or not any other condition of the Consent Solicitation is waived. The Company has not made a decision as to what circumstances would lead the Company to waive any such condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Any determination by the Company concerning the events described in this section will be final and binding on all Holders.

Termination, Amendments and Extensions

The Company expressly reserves the right, in its sole discretion, subject to applicable law, (i) to terminate the Consent Solicitation at any time for any reason (including after the Expiration Time and prior to the execution and delivery of any Supplemental Indenture), whether or not the Requisite Consents have been obtained, (ii) to amend, waive or modify any of the terms of the Consent Solicitation, including the Record Date, at any time prior to the execution and delivery of the Supplemental Indenture and for any reason at any time, (iii) to extend the Expiration Time, including on a daily basis, at any time and from time to time in its sole discretion for any reason, and (iv) not to extend the Consent Solicitation beyond the original Expiration Time or any date and time to which the Consent Solicitation has been previously extended. If the Company takes any of these actions, the Company will make a public announcement thereof by 9:00 a.m., New York City time, on the following business day.

If the Company makes a material change in the terms of the Consent Solicitation or if the Company waives a material condition of the Consent Solicitation, the Company will make a public announcement thereof at or prior to 9:00 a.m., New York City time, on the next business day after such change or waiver and extend the Consent Solicitation to the extent required by law. Failure of any Holder to be so notified will not affect the change or waiver or the extension of the Consent Solicitation. If the Consent Solicitation is amended prior to the Expiration Time in a manner determined by the Company, in its sole discretion, to be adverse to the Holders, the Company promptly will disclose such amendment by informing Holders through a public announcement or otherwise and extend the Expiration Time and permit revocations of Consents in respect of the Notes for a period deemed by the Company, in its sole discretion, to be adequate to permit Holders to deliver or revoke their Consents. Without limiting the manner in which the Company may choose to make any public announcement, the Company shall have no obligation to publish, advertise or otherwise communicate any public announcement other than by issuing a release to BusinessWire, PR Newswire, the Dow Jones News Service or such other news service as the Company deems appropriate, in its sole discretion, or as otherwise required by law.

Consent Procedures

The Consent Solicitation is being made to all persons in whose name a Note was registered as of the Record Date and their duly appointed proxies. Only Holders or their duly designated proxies may execute and deliver a Consent. DTC is expected to grant an omnibus proxy authorizing DTC Participants to deliver a Consent. Accordingly, for the purposes of the Consent Solicitation, the term “Holder” shall be deemed to include DTC Participants who held Notes through DTC as of the Record Date. In order to cause a Consent to be given with respect to Notes held through DTC, such DTC Participant must complete and sign the Consent Letter and deliver it to the Tabulation Agent in accordance with the instructions set forth herein and therein. A beneficial owner of an interest in Notes held through a DTC Participant must complete and sign the Letter of Instructions and deliver it to such DTC Participant in order to cause a Consent to be given with respect to such Notes.

The execution and delivery of a Consent will not affect a Holder’s right to sell or transfer Notes. All validly delivered Consents received by the Tabulation Agent prior to the Expiration Time will be effective notwithstanding a record transfer of such Notes subsequent to the Record Date, unless the Holder as of the Record

Date validly revokes such Consent prior to the Expiration Time by following the procedures set forth under “—Revocation of Consents” below. The transfer of Notes after the Record Date will not have the effect of revoking any Consent validly delivered to the Tabulation Agent. Each Consent properly received by the Tabulation Agent will be counted notwithstanding any transfer of the Notes to which such Consent relates, unless the procedure for revoking Consents described under “—Revocation of Consents” below has been complied with.

Holders who wish to Consent to the Proposed Amendments should complete and sign the Consent Letter included herewith and mail, hand deliver, send by overnight courier or facsimile (confirmed by physical delivery of an original) their properly completed and executed Consent Letter to the Tabulation Agent at the address or facsimile number set forth at the end of this Statement and on the Consent Letter, all in accordance with the instructions set forth herein and therein.

The Consent Letter should be delivered to the Tabulation Agent, not to the Company or any other person. However, the Company reserves the right to accept any Consent received by the Company or any other party that is otherwise in proper form.

If you are a beneficial owner of Notes held through a bank, broker or other financial institution and you wish to Consent to the Proposed Amendments, you must contact such entity to consent on your behalf. You are urged to contact such entity promptly in order to allow adequate processing time.

Holders should not tender or deliver Notes at any time in connection with the Consent Solicitation.

All Consent Letters that are properly completed, signed and delivered (and not validly revoked) to the Tabulation Agent will be given effect in accordance with the specifications thereof.

Consent Letters of Holder(s) must be executed in exactly the same manner as the names of such Holder(s) appear(s) on the certificates for the Notes to which the Consent Letter relates, or are registered with DTC in the case of Holders who are DTC Participants. If a Consent Letter is signed by a trustee, partner, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must so indicate when signing and must submit with the Consent Letter evidence satisfactory to the Company of authority to execute the Consent Letter. **If no certificate number or numbers and no aggregate principal amount of the Notes as to which a Consent is delivered is specified, but the Consent Letter is otherwise properly completed and signed, the Holder will be deemed to have given or withheld, depending on whether the “For” or “Against” box is marked (provided that if neither box is marked, the Holder will be deemed to have given), a Consent with respect to the entire aggregate principal amount of the Notes that such Holder holds. If a certificate number is provided but no aggregate principal amount is specified, the Holder will be deemed to have given or withheld, depending on whether the “For” or “Against” box is marked (provided that if neither box is marked, the Holder will be deemed to have given), its Consent only with respect to the aggregate principal amount of the Notes represented by that certificate.**

The registered ownership of the Notes as of the Record Date shall be provided by the Trustee, as registrar of the Notes. The ownership of Notes held through DTC by DTC Participants shall be established by a DTC security position listing provided by DTC as of the Record Date. All questions as to the validity, form and eligibility (including time of receipt) of Consent Letters will be determined by the Company in its sole discretion, which determination will be final and binding, subject only to such final review as may be prescribed by the Trustee concerning proof of execution and ownership. The Company reserves the right to reject any or all Consents that are not in proper form or the acceptance of which could, in the Company’s opinion or the opinion of the Company’s counsel, be unlawful. Any interpretation of the terms and conditions of the Consent Solicitation by the Company shall be conclusive and binding. The Company also reserves the right, subject only to such final review as may be prescribed by the Trustee concerning proof of execution and ownership, to waive any defects or irregularities in connection with deliveries of particular Consents. Unless waived by the Company, in its sole discretion, any defects or irregularities in connection with Consent Letters must be cured within such time as the Company determines. None of the Company, any of its affiliates, the Trustee, the Tabulation Agent and the Information Agent, if any, the Solicitation Agents, if any, or any other person shall be under any duty to give any notification of any defects, irregularities or waivers, nor shall any of them incur any liability for failure to give any such notification. Deliveries of Consents will not be deemed to have been made until any irregularities or defects therein have been cured or waived.

Revocation of Consents

Any Holder who has delivered a Consent may revoke such Consent by sending a written notice of revocation to the Tabulation Agent in accordance with the following procedures. In order to be effective, a notice of revocation of Consent must (i) contain the name of the person who delivered the Consent Letter and the Notes to which it relates, the certificate number or numbers of such Notes (not applicable to DTC Participants) and the aggregate principal amount of the Notes represented by such revocation, (ii) be in the form of a subsequent Consent Letter marked "Against" the Proposed Amendments, (iii) be signed by the Holder thereof in the same manner as the original signature on the Consent Letter and (iv) be received by the Tabulation Agent prior to the Revocation Deadline at its address set forth on the Consent Letter. A purported notice of revocation that lacks any of the required information or is dispatched to an improper address will not be effective to revoke a Consent previously given. A revocation of a Consent can only be accomplished in accordance with the foregoing procedures.

The transfer of Notes after the Record Date will not have the effect of revoking any Consent validly delivered to the Tabulation Agent.

No Holder may revoke its Consent after the Revocation Deadline.

Notwithstanding the foregoing, if the Consent Solicitation is amended prior to the Expiration Time in a manner determined by the Company, in its sole discretion, to be adverse to the Holders, the Company promptly will disclose such amendment by informing Holders through a public announcement or otherwise and extend the Expiration Time and permit revocations of Consents in respect of the Notes for a period deemed by the Company, in its sole discretion, to be adequate to permit Holders to deliver or revoke their Consents.

Without limiting the manner in which the Company may choose to make any public announcement, the Company shall have no obligation to publish, advertise or otherwise communicate any public announcement other than by issuing a release to BusinessWire, PR Newswire, the Dow Jones News Service or such other news service as the Company deems appropriate, in its sole discretion, or as otherwise required by law.

All questions as to the form and validity (including time of receipt) of any revocation of a Consent will be determined by the Company in its sole discretion, which determination shall be final and binding, subject only to such final review as may be prescribed by the Trustee concerning proof of execution and ownership. None of the Company nor any of its affiliates, the Trustee, the Tabulation Agent and the Information Agent, if any, the Solicitation Agents, if any, or any other person shall be under any duty to give any notification of any defects or irregularities with respect to any revocation of a Consent, nor shall any of them incur any liability for failure to give any such notification.

Solicitation Agents and Tabulation Agent and Information Agent

The Company has appointed Wells Fargo Bank, National Association as Tabulation Agent for the Consent Solicitation (in such role, the "**Tabulation Agent**"). As of the date hereof, the Company has not appointed any Solicitation Agent for the Consent Solicitation (in such role, the "**Solicitation Agents**") or any Information Agent for the Consent Solicitation (in such role, the "**Information Agent**") other than the Tabulation Agent, but we reserve the right to appoint Solicitation Agents and Information Agents in the future. In the event that the Company appoints either any Solicitation Agents or Information Agents, all the fees and expenses of the Solicitation Agents and the Information Agent, subject to certain limitations, will be paid by the Company. Requests for additional copies of this Statement and the Consent Letter should be directed to the Tabulation Agent at the address set forth at the end of this Statement. Brokers, dealers, commercial banks, trust companies and other nominees will be reimbursed by the Company for customary mailing and handling expenses incurred by them in forwarding material to their customers.

Any Solicitation Agents appointed by us may, in the ordinary course of their business, have provided and may in the future provide various commercial and investment banking and other services to us, for which they

receive customary compensation. Such Solicitation Agents, in the ordinary course of their business, may make markets in securities of the Company, its subsidiaries and affiliates. As a result, from time to time, such Solicitation Agents may own certain of our securities.

Financial Advisor

Credit Suisse Securities (USA) LLC is acting as financial advisor only to the Company in connection with the Consent Solicitation and not as solicitation agent.

THE EXCHANGE OFFER

Promptly following receipt of the Requisite Consents, the Company will offer to exchange up to \$350 million aggregate principal amount (the “**Tender Cap**”) of its 7.750% Senior Notes due 2022 (the “**Additional Senior Notes**”) for the Company’s properly tendered (and not withdrawn) outstanding Notes in the Exchange Offer. The commencement of the Exchange Offer is subject to the receipt of the Requisite Consents to approve the Proposed Amendments. Each holder of Notes who consents to the Proposed Amendments may tender up to all of the Notes owned by such holder in the Exchange Offer. Holders who do not consent to the Proposed Amendments may also tender their Notes in the Exchange Offer. If the principal amount of Notes properly tendered (and not withdrawn) in exchange for Additional Senior Notes exceeds the Tender Cap, the Company will (i) first, accept Notes on a ratable basis based on the Notes tendered on or prior to the early tender date (as defined in the Exchange Offer documents), and (ii) second, accept Notes on a ratable basis based on the Notes tendered after the early tender date and on or prior to the expiration date of the Exchange Offer.

The consideration in the exchange offer will be set such that, in exchange for each \$1,000 principal amount of Senior Secured Notes properly tendered (and not withdrawn) and accepted by the Company (plus accrued and unpaid interest on \$1,092.50 principal amount of Additional Senior Notes to but not including the settlement date), participating holders of Senior Secured Notes will receive \$1,092.50 (plus accrued and unpaid interest on \$1,000 principal amount of Senior Secured Notes to but not including the settlement date) principal amount of Additional Senior Notes. For example, if the settlement date for the exchange offer is May 27, 2014, for each \$1,000 principal amount of Senior Secured Notes properly tendered (and not withdrawn) and accepted by the Company, participating holders of Senior Secured Notes will receive \$1,091.76 principal amount of Additional Senior Notes.

The Exchange Offer is being made by a separate Offer to Exchange. Copies of the Offer to Exchange are available from the Company. See “Where You Can Find More Information.”

RISK FACTORS

You should carefully consider the risks described below and the other information that we have included in this Statement before deciding to provide your Consent. The risks described below are not the only ones that we may face. Additional risks that are not currently known to us or that we currently consider immaterial, which are not included in this Statement, may also impair our business, financial condition or results of operations. See “Certain United States Federal Income Tax Considerations” for a discussion of other risks that may also affect you.

If the Proposed Amendments are implemented, we will be permitted greater flexibility to make Restricted Payments under the Indenture, including the ability to make an additional \$100 million of Restricted Payments to repurchase equity securities.

The Indenture limits the ability of the Company and its restricted subsidiaries to make certain Restricted Payments. If the Proposed Amendments are implemented in the Supplemental Indenture, the Company and its restricted subsidiaries will be permitted greater flexibility to make Restricted Payments, including the ability to purchase, redeem, acquire or retire for value Equity Interests of the Company in an aggregate amount up to \$100.0 million.

The Consent Solicitation could result in an adverse effect on the existing rating agency ratings for the Notes.

There can be no assurance to Holders of the Notes that as a result of the Consent Solicitation or otherwise, one or more rating agencies, including Standard & Poor’s or Moody’s, would not take action to downgrade or negatively comment upon their respective ratings on the Notes. Any downgrade or negative comment would likely adversely affect the market price of the Notes.

The Consent Solicitation is subject to certain conditions.

The consummation of the Consent Solicitation is subject to the satisfaction or waiver by the Company of certain conditions. See “The Consent Solicitation—Conditions to the Consent Solicitation.” There can be no assurance that such conditions will be met or waived. Additionally, the Proposed Amendments will only become operative upon the Company’s acceptance, subject to pro ration, of the Notes validly tendered (and not validly withdrawn) as of the early tender deadline in connection with the proposed Exchange Offer (as described in “The Exchange Offer”).

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain material U.S. federal income tax considerations of the Consent Solicitation that may be relevant to U.S. Holders and Non-U.S. Holders (each as defined below). This discussion does not address state, local or non-U.S. tax considerations nor does it consider all aspects of federal income taxation which may be relevant to particular Holders in light of their individual investment circumstances or to certain types of Holders subject to special tax rules. For example, this discussion does not address the tax considerations relevant to beneficial owners of the Notes who are financial institutions, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, Holders that hold Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, or Non-U.S. Holders (as defined below) that are U.S. expatriates, “controlled foreign corporations,” or “passive foreign investment companies.” In addition, this discussion generally does not address any U.S. federal income tax consequences to a Non-U.S. Holder that: (i) is engaged in a U.S. trade or business, (ii) is a non-resident alien who is present in the United States for 183 or more days during the taxable year, or (iii) is a corporation that operates through a U.S. branch. Moreover, this description does not address the U.S. federal estate and gift tax, alternative minimum tax, the Medicare contribution tax on unearned income or other tax considerations of the Consent Solicitation. This discussion assumes that Holders have held their Notes as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This summary is based upon the provisions of the Code, Treasury Regulations promulgated under the Code, administrative rulings and judicial decisions as of the date hereof. These authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences significantly different from those set forth below.

Holders should be aware that, due to the factual nature of the inquiry and the absence of relevant legal authorities, there is some uncertainty under current U.S. federal income tax law as to the appropriate tax consequences of the adoption of the Proposed Amendments. No statutory, administrative or judicial authority directly addresses the treatment of the adoption of the Proposed Amendments for U.S. federal income tax purposes. The Company has not sought any ruling from the Internal Revenue Service (the “IRS”) or an opinion of counsel with respect to the statements made and the conclusions reached in the following summary. As a result, this summary is not binding on the IRS or the courts, and no assurance can be given that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a court if so challenged.

As used in this summary, a “U.S. Holder” means any beneficial owner of the Notes that is, for U.S. federal income tax purposes: (i) a U.S. citizen or a resident alien for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust which (a) is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A “Non-U.S. Holder” is a beneficial owner of Notes that is not a U.S. Holder and that is, for U.S. federal income tax purposes, an individual, corporation (or other entity taxable as a corporation for U.S. federal income tax purposes), estate or trust.

If a pass-through entity, including a partnership or other entity classified as a partnership for U.S. federal income tax purposes, is a beneficial owner of the Notes, the U.S. federal income tax treatment of an owner or partner generally will depend upon the status of such owner or partner and upon the activities of the pass-through entity. Owners or partners of a pass-through entity that is a beneficial owner of the Notes should consult their own tax advisors as to the federal income, state, local and non-U.S. tax consequences of the adoption of the Proposed Amendments.

This summary is for general information only and is not intended to be, nor should it be construed as, legal or U.S. federal income tax advice with respect to any Holder and no opinion or representation with respect to the U.S. federal income tax consequences to any such Holder is made. Holders should consult their own tax advisors regarding the U.S. federal income, state, local and non-U.S. tax consequences of the Consent Solicitation and adoption of the Proposed Amendments.

IRS CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS NOTICE IS NOT INTENDED OR WRITTEN BY US TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE CODE; (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Tax Consequences to U.S. Holders

The U.S. federal income tax consequences to a U.S. Holder of the adoption of the Proposed Amendments will depend in part upon whether the adoption of the Proposed Amendments results in a “significant modification” of the Notes and thus a deemed exchange of the Notes for new Notes with respect to which gain (but not loss) may be recognized. Under the applicable Treasury Regulations, the modification of a debt instrument is a “significant modification” if, based on all the facts and circumstances (and, subject to certain exceptions, taking into account all modifications of the debt instrument collectively), the legal rights or obligations that are altered and the degree to which they are altered are “economically significant.” A modification of a debt instrument that is not a significant modification does not result in a deemed exchange.

The Company intends to take the position that the adoption of the Proposed Amendments does not result in a significant modification. Based on this position, a U.S. Holder (i) will not recognize any gain or loss with respect to a deemed exchange of the Notes as a result of the adoption of the Proposed Amendments and (ii) will continue to have the same tax basis, holding period and accrued market discount (if any) with respect to the Notes as it had immediately prior to the adoption of the Proposed Amendments.

U.S. Holders are encouraged to consult their tax advisors regarding the risk that adoption of the Proposed Amendments constitutes a significant modification for U.S. federal income tax purposes, the tax consequences if the adoption of the Proposed Amendments were to be treated as a deemed exchange, and the tax consequences of holding the Notes after the adoption of the Proposed Amendments.

Tax Consequences to Non-U.S. Holders

Non-U.S. Holders will generally not be subject to U.S. federal income tax, regardless of whether the adoption of the Proposed Amendments results in a deemed exchange of Notes for new Notes. Non-U.S. Holders are encouraged to consult their tax advisors regarding the risk that adoption of the Proposed Amendments constitutes a significant modification for U.S. federal income tax purposes, the tax consequences if the adoption of the Proposed Amendments were to be treated as a deemed exchange, and the tax consequences of holding the Notes after the adoption of the Proposed Amendments.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these documents at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available over the Internet at the SEC's website at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" information into this Statement, which means that we can disclose important information to you by referring to those documents. We hereby "incorporate by reference" the documents listed below, which means that we are disclosing important business and financial information to you by referring you to those documents.

- Our (i) Annual Report on Form 10-K for the year ended September 30, 2013, filed with the SEC on November 27, 2013 (as amended, the "2013 Annual Report"); and (ii) Amendment Number 1 to the 2013 Annual Report on Form 10-K/A, filed with the SEC on December 6, 2013;
- Our Quarterly Reports on Form 10-Q for the quarter ended December 31, 2013, filed on February 7, 2014;
- Current Reports on Form 8-K filed on December 20, 2013, December 20, 2013, December 26, 2013, January 15, 2014, January 21, 2014, February 14, 2014 and February 27, 2014;
- Current Reports on Form 8-K/A filed on March 4, 2014 (other than Exhibit 99.2) and May 3, 2013 (other than Exhibit 99.2);
- Future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the portions of those made pursuant to Item 2.02 or Item 7.01 of Form 8-K or other information "furnished" and not filed with the SEC) after the date of this Statement and before the termination of this exchange offer;
- the sections describing the Notes, entitled "Description of Notes," and "Risk Factors—Risks Related to the Notes," contained in the Prospectus dated December 31, 2013, filed with the SEC in accordance with Rule 424(b) of the Securities Act on January 3, 2014; and
- the sections describing the Additional Senior Notes, entitled "Description of Notes," "Risk Factors—Risks Related to the Notes" and "Book-Entry, Delivery and Form of Securities," contained in the Prospectus dated March 14, 2014, filed with the SEC in accordance with Rule 424(b) of the Securities Act on March 14, 2014;.

Upon your oral or written request, we will provide you with a copy of any of these filings at no cost. Requests should be directed to Thomas A. Williams, Executive Vice President and Chief Financial Officer, Harbinger Group Inc., 450 Park Avenue, 30th Floor, New York, NY 10022, Telephone No. (212) 906-8555.

Except as expressly provided above, no other information, including none of the information on our website, is incorporated by reference into this Statement.

FORWARD-LOOKING STATEMENTS

This Statement contains, documents incorporated by reference and certain oral statements made by our representatives from time to time may contain, forward-looking statements that are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements. These statements are based on the beliefs and assumptions of HGI's management and the management of HGI's subsidiaries, including target businesses. Generally, forward-looking statements include information concerning possible or assumed future actions, events, results, strategies and expectations and are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will" "could," "might," or "continues" or similar expressions. Factors that could cause actual results, events and developments to differ include, without limitation: the ability of HGI's subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, HGI's and its subsidiaries' ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HGI or HGI subsidiaries, completing future acquisitions and dispositions, litigation and other regulatory matters, potential and contingent liabilities, management's plans, changes in regulations and taxes.

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 many important factors, in addition to those discussed in the section entitled "Risk Factors" in this Statement and under Part I: Item 1A. "Risk Factors" in our 2013 Annual Report, which is incorporated by reference herein, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements.

Requests for assistance in completing and delivering the Consent Letter or requests for additional copies of this Statement, the Consent Letter and other related documents, or questions regarding the terms and conditions of the Consent Solicitation should be directed to the Tabulation Agent at its address and telephone number below.

Wells Fargo Bank, National Association

By Registered or Certified Mail:

Wells Fargo Bank, National Association
Corporate Trust Services
Attn: Administrator for Harbinger Group Inc.
150 East 42nd Street, 40th floor
New York, NY 10017

By Regular Mail or Overnight Courier:

Wells Fargo Bank, National Association
Corporate Trust Services
Attn: Administrator for Harbinger Group Inc.
150 East 42nd Street, 40th floor
New York, NY 10017

In Person by Hand:

Wells Fargo Bank, National Association
Corporate Trust Services
Attn: Administrator for Harbinger Group Inc.
150 East 42nd Street, 40th floor
New York, NY 10017

By Facsimile (For Eligible Institutions Only): (917) 260-1593

For Information or Confirmation by Telephone: (917) 260-1550 or (612) 667-0337

Harbinger Group Inc.

Offer to Exchange

By Harbinger Group Inc. (“HGI,” the “Company,” “we,” “us” and “our”)

up to \$350,000,000 aggregate principal amount of

7.750% Senior Notes due 2022 (the “Additional Senior Notes”) (CUSIP 41146AAH9)

for up to an aggregate principal amount described herein of its outstanding

7.875% Senior Secured Notes due 2019 (the “Senior Secured Notes”) (CUSIP 41146AAE6)

The Offer (as defined below) includes an early tender period which will expire at 5:00 pm, New York City time, on Wednesday, May 28, 2014, unless extended or earlier terminated (such date and time, as the same may be extended or earlier terminated, the “Early Tender Time”). The Offer will expire at 11:59 pm, New York City time, on Wednesday, June 11, 2014, unless extended or earlier terminated (such date and time, as the same may be extended or earlier terminated, the “Expiration Time”). Tendered Senior Secured Notes may be withdrawn in accordance with the terms of the Offer prior to 5:00 pm, New York City time, on Wednesday, May 28, 2014, but not thereafter, other than as required by applicable law, unless such time is extended or earlier terminated by us in our sole discretion (such time, as the same may be extended or earlier terminated, the “Withdrawal Deadline”). Holders (as defined below) must validly tender their Senior Secured Notes at or prior to the Early Tender Time in order to receive the Total Consideration (as defined herein) for such Senior Secured Notes, which includes the Early Tender Payment (as defined below). Holders who tender their Senior Secured Notes after the Early Tender Time but by the Expiration Time will only be eligible to receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration (as defined below). If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange. The Offer is being made upon the terms and subject to the conditions set forth in the Offer Documents (as defined below) and subject to the Tender Cap (as defined below) and any required proration.

HGI hereby offers (the “Offer”), upon the terms and subject to the conditions set forth in this offering memorandum (as it may be supplemented and amended from time to time, this “Offering Memorandum”) and related letter of transmittal (as it may be supplemented and amended from time to time, the “Letter of Transmittal” and, together with this Offering Memorandum, the “Offer Documents”), to exchange up to \$350,000,000 aggregate principal amount (the “Tender Cap”) of its Additional Senior Notes for a portion of its outstanding Senior Secured Notes. As of the date of this Offering Memorandum, the aggregate outstanding principal amount of the Senior Secured Notes is \$925.0 million. Upon our acceptance of the Senior Secured Notes validly tendered (and not validly withdrawn) as of the Early Tender Time pursuant to the Offer, subject to the Tender Cap and any required proration, the Senior Secured Indenture Amendments (as defined herein) to the indenture governing the Senior Secured Notes (the “Senior Secured Indenture”) will become operative. For more information on the Senior Secured Indenture Amendments, see “Summary—Recent Developments—Supplemental Indenture.”

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, we hereby offer to issue to each registered holder of the Senior Secured Notes (each, a “Holder”) who validly tenders Senior Secured Notes at or prior to the Early Tender Time, who does not validly revoke such tender prior to the Withdrawal Deadline and whose Senior Secured Notes are accepted for exchange by us in the Offer, the Total Consideration for each \$1,000 principal amount of Senior Secured Notes. Holders who do not validly tender their Senior Secured Notes by the Early Tender Time will not receive the Total Consideration and will only be eligible to receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will

not have any of their Senior Secured Notes accepted for exchange. The Total Consideration provides Holders who validly tender by the Early Tender Time \$1,092.50 principal amount of Additional Senior Notes (which includes the “*Early Tender Payment*” of \$50 principal amount of Additional Senior Notes) per \$1,000 principal amount of Senior Secured Notes, and the Offer Consideration provides Holders who validly tender after the Early Tender Time but by the Expiration Time \$1,042.50 principal amount of Additional Senior Notes per \$1,000 principal amount of Senior Secured Notes, in each case adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes issued, to but not including the applicable settlement date. For more information on how the Total Consideration and the Offer Consideration will be calculated, see “The Offer—Consideration.”

The Additional Senior Notes will be issued as additional notes under the indenture governing our 7.750% Senior Notes due 2022 that were issued on January 21, 2014 (the “*Existing Senior Notes*” and, together with the Additional Senior Notes, the “*Senior Notes*”), pursuant to which we issued \$200,000,000 aggregate principal amount of the Senior Notes. The Additional Senior Notes offered hereby will vote together with the Existing Senior Notes as a single class under the indenture governing the Senior Notes (the “*Senior Indenture*”) and will have the same terms as those of the Existing Senior Notes.

We will pay interest on the Senior Notes on January 15 and July 15 of each year, commencing on July 15, 2014 with respect to the Additional Senior Notes. Interest on the Additional Senior Notes will accrue from and including January 21, 2014, the issue date of the Existing Senior Notes. The Senior Notes will mature on January 15, 2022. We have the option to redeem all or a portion of the Senior Notes at any time before January 15, 2017 at a redemption price equal to 100% plus a make-whole premium, or on or after January 15, 2017 at the redemption prices set forth herein. In addition, before January 15, 2017, we may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net proceeds of certain equity offerings at the redemption price set forth herein.

Upon the occurrence of certain change of control events, holders of the Senior Notes may require us to repurchase some or all of their Senior Notes at a repurchase price equal to 101% of their principal amount plus accrued and unpaid interest. For a more detailed description of the Senior Notes, see the section entitled “Description of Notes” of the Senior Notes Prospectus (as defined below), which is incorporated by reference herein.

We do not intend to apply for listing of the Senior Notes on any securities exchange or for inclusion of the Senior Notes in any automated quotation system.

Before participating in the Offer, you should carefully read and consider the risk factors described under “Risk Factors” commencing on page 16 of this Offering Memorandum and in the documents incorporated by reference herein.

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The Additional Senior Notes will be issued pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the “*Securities Act*”), provided by Section 3(a)(9) of the Securities Act and the exemption from state securities law requirements provided by Section 18(b)(4)(C) of the Securities Act. We have made no arrangements for and have no understanding with any dealer, salesman or other person regarding the solicitation or recommendation of tenders hereunder. Any such solicitation or recommendation of tenders by persons other than HGI must not be relied upon by you as having been authorized by HGI.

May 14, 2014

TABLE OF CONTENTS

Where You Can Find More Information	iv
Special Note Regarding Forward-Looking Statements	v
Summary	1
Risk Factors	16
Use of Proceeds	24
Capitalization	25
The Offer	28
Certain U.S. Federal Income Tax Considerations	42

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these documents at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available over the Internet at the SEC's website at <http://www.sec.gov>.

We "incorporate by reference" information into this Offering Memorandum, which means that we may disclose important information to you by referring to those documents. We hereby "incorporate by reference" the documents listed below, which means that we are disclosing important business and financial information to you by referring you to those documents.

- Our (i) Annual Report on Form 10-K for the year ended September 30, 2013, filed with the SEC on November 27, 2013 (as amended, the "2013 Annual Report"); and (ii) Amendment Number 1 to the 2013 Annual Report on Form 10-K/A, filed with the SEC on December 6, 2013;
- Our Quarterly Reports on Form 10-Q for the quarter ended December 31, 2013, filed on February 7, 2014, and for the quarter ended March 31, 2014 filed on May 12, 2014;
- Our Current Reports on Form 8-K filed on December 20, 2013, December 23, 2013, December 26, 2013, January 15, 2014, January 21, 2014, February 14, 2014, February 27, 2014 and March 19, 2014 (other than the information furnished therein under Item 7.01 and Item 9.01);
- Our Current Reports on Form 8-K/A filed on March 4, 2014 (other than Exhibit 99.2) and May 3, 2013 (other than Exhibit 99.2);
- the sections describing the Senior Secured Notes entitled "Description of Notes," and "Risk Factors—Risks Related to the Notes," contained in the prospectus

dated December 31, 2013, filed with the SEC in accordance with Rule 424(b) of the Securities Act on January 3, 2014;

- the sections describing the Additional Senior Notes entitled “Description of Notes,” “Risk Factors—Risks Related to the Notes” and “Book-Entry, Delivery and Form of Securities,” contained in the prospectus dated March 14, 2014, filed with the SEC in accordance with Rule 424(b) of the Securities Act on March 14, 2014 (the “*Senior Notes Prospectus*”); and
- Future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), (other than the portions of those made pursuant to Item 2.02 or Item 7.01 of Form 8-K or other information “furnished” and not filed with the SEC) after the date of this Offering Memorandum and before the termination of the Offer;

Upon your oral or written request, we will provide you with a copy of any of these filings at no cost. Requests should be directed to Thomas A. Williams, Executive Vice President and Chief Financial Officer, Harbinger Group Inc., 450 Park Avenue, 30th Floor, New York, NY 10022, Telephone No. (212) 906-8555.

Except as expressly provided above, no other information, including none of the information on our website, is incorporated by reference into this Offering Memorandum.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Offer Documents contain, and documents incorporated by reference and certain oral statements made by our representatives from time to time may contain, forward-looking statements that are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements. These statements are based on the beliefs and assumptions of HGI’s management and the management of HGI’s subsidiaries, including target businesses. Generally, forward-looking statements include information concerning possible or assumed future actions, events, results, strategies and expectations and are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans,” “seeks,” “estimates,” “projects,” “may,” “will” “could,” “might,” or “continues” or similar expressions. Factors that could cause actual results, events and developments to differ include, without limitation: the ability of HGI’s subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, HGI’s and its subsidiaries’ ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HGI or HGI subsidiaries, completing future acquisitions and dispositions, litigation and other regulatory matters, potential and contingent liabilities, management’s plans, changes in regulations and taxes and other factors described in the Offer Documents or incorporated by reference therein.

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 many important factors, in addition to those discussed in the section entitled “Risk Factors” in this Offering Memorandum, under Part I: Item 1A. “Risk Factors” in our 2013 Annual Report, which is incorporated by reference herein, and in the other documents incorporated by reference herein, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements.

SUMMARY

The following summary highlights basic information about us and the Offer and the Additional Senior Notes. It may not contain all of the information that is important to you. For a more comprehensive understanding of our business, the Offer, the Senior Secured Notes and the Additional Senior Notes, you should read this entire Offering Memorandum and the documents incorporated by reference herein, including the sections entitled "Risk Factors" included or incorporated by reference herein and the historical and pro forma financial statements and the accompanying notes to those statements of HGI, Spectrum Brands, FGL, HGI Funding, the HHI Business and the EXCO/HGI JV (each as defined below). Certain statements in this summary are forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Our Company

We are a diversified holding company focused on acquiring businesses with attractive assets that we consider to be undervalued or fairly valued and growing our acquired businesses. Our principal holdings include the following: (i) Spectrum Brands Holdings, Inc. (together with its consolidated subsidiaries, "*Spectrum Brands*"), our subsidiary that provides global branded consumer products; (ii) Fidelity & Guaranty Life (together with its consolidated subsidiaries, "*FGL*"), our subsidiary that provides life insurance and annuity products; (iii) Front Street Re (Cayman) Ltd. and Front Street Re Ltd., our subsidiaries engaged in the business of providing long-term reinsurance, including reinsurance to the specialty insurance sector of fixed, deferred and payout annuities; (iv) Salus Capital Partners, LLC (together with its consolidated subsidiaries, "*Salus*"), our subsidiary engaged primarily in the business of providing secured asset-based loans across a variety of industries; and (v) HGI Energy ("*HGI Energy*"), our subsidiary that holds our interests in the oil and gas joint venture owned by it and EXCO Resources, Inc., a joint venture engaged in owning and operating producing conventional oil and gas assets ("*EXCO/HGI JV*"). We hold certain of our assets, manage a portion of our available cash and acquire interests in possible acquisition targets through our wholly-owned subsidiary, HGI Funding, LLC (together with its consolidated subsidiaries, "*HGI Funding*").

We were incorporated in Delaware in 1954 under the name Zapata Corporation and reincorporated in Nevada in April 1999 under the same name. On December 23, 2009, we reincorporated in Delaware under the name Harbinger Group Inc. Our common stock trades on the New York Stock Exchange under the symbol "HRG."

For a description of our business, financial condition, results of operations and other important information regarding us, we refer you to our filings with the SEC incorporated by reference in this Offering Memorandum. For instructions on how to find copies of these documents, see "Where You Can Find More Information."

Recent Developments

Supplemental Indenture

On May 14, 2014, HGI announced that it had received commitments from beneficial holders of its Senior Secured Notes to consent to certain amendments (the “*Senior Secured Indenture Amendments*”) to the Senior Secured Indenture that, among other things, would give HGI greater flexibility to repurchase or redeem its outstanding common stock. The Senior Secured Indenture Amendments will be included in a supplemental indenture by and between HGI and Wells Fargo Bank, National Association, as trustee (the “*Supplemental Indenture*”), substantially in the form attached hereto as Annex A, which will become effective upon execution. The Supplemental Indenture will provide that the Senior Secured Indenture Amendments will become operative upon HGI’s acceptance of the Senior Secured Notes validly tendered (and not validly withdrawn) as of the Early Tender Time pursuant to the Offer, subject to the Tender Cap and any required proration. HGI will not pay a consent fee to the consenting holders of the Senior Secured Notes for providing such consents and such consenting holders will have the right to participate pro rata in the Offer with other holders of Senior Secured Notes.

If the Senior Secured Indenture Amendments become operative, HGI will have the required authority to purchase up to \$100 million of HGI’s Common Stock pursuant to a new share repurchase program authorized by HGI’s board of directors. The repurchase program authorizes purchases to be made from time to time in one or more open market or private transactions. The manner of purchase, the number of shares to be purchased and the timing of purchases will be based on the price of the HGI’s common stock, general business and market conditions and applicable legal requirements, and is subject to the discretion of HGI’s management. The program does not require HGI to purchase any specific number of shares or any shares at all, and may be suspended, discontinued or re-instituted at any time without prior notice. HGI may fund any such repurchase with cash on hand or other borrowings.

Conversion of Preferred Stock

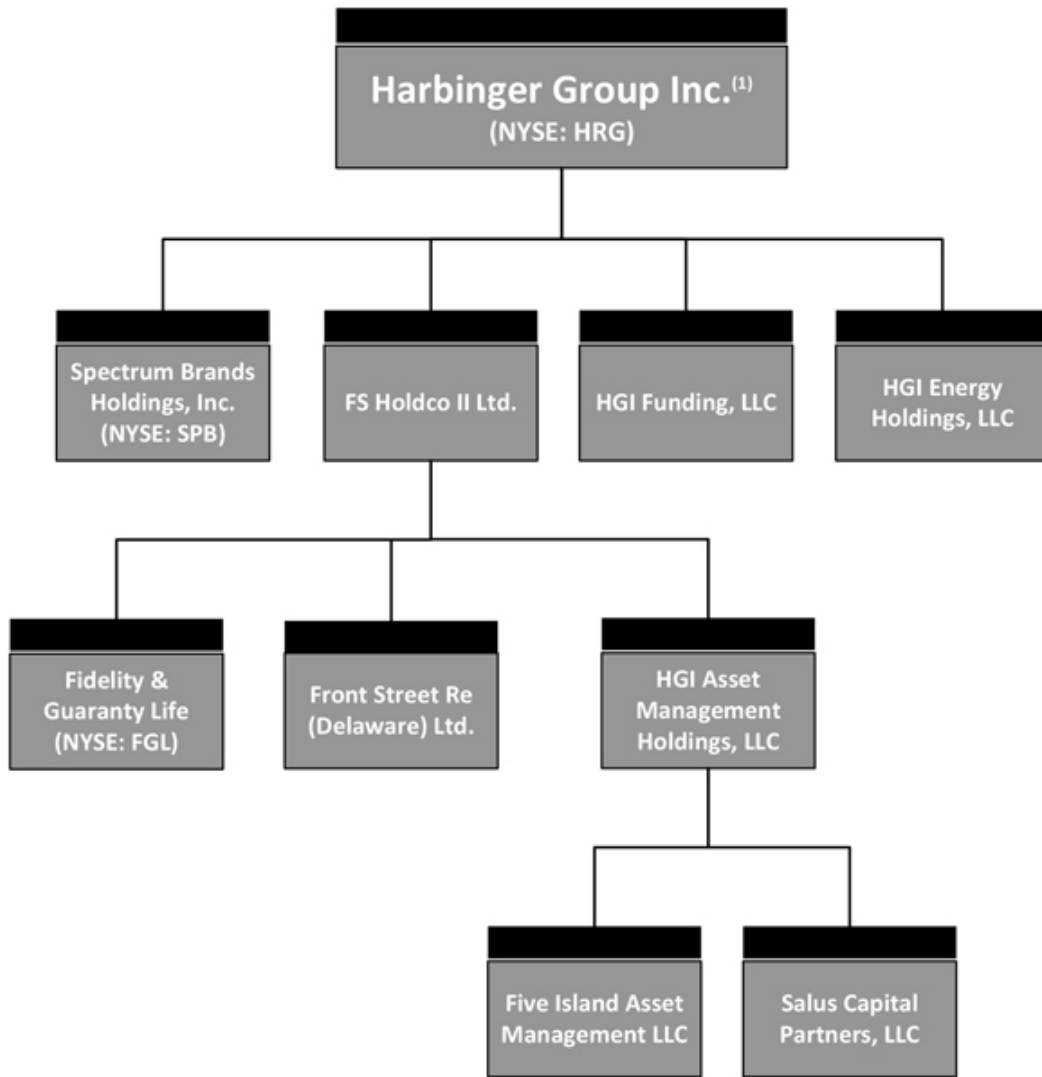
On May 9, 2014, HGI announced that it was exercising its option to convert (the “*Preferred Stock Conversion*”) its issued and outstanding shares of Series A Participating Convertible Preferred Stock (“*Series A Preferred Shares*”) and Series A-2 Participating Convertible Preferred Stock (“*Series A-2 Preferred Shares*”) and, together with the Series A Preferred Shares, the “*Preferred Shares*”) into common stock of the Company, par value \$0.01 (“*Common Stock*”). The Preferred Stock Conversion will be effective May 15, 2014 (the “*Conversion Date*”).

On the Conversion Date, holders of the Series A Preferred Shares will receive approximately 160.95 shares of Common Stock per Series A Preferred Share converted and holders of Series A-2 Preferred Shares will receive approximately 148.11 shares of Common Stock per Series A-2 Preferred Share converted. The holders will also receive cash in lieu of fractional shares and for any and all accrued but unpaid dividends.

Following the Conversion Date, all rights of the Preferred Shareholders, including rights to dividends, will terminate except that, in accordance with and for so long as required by the certificate of designation governing the Series A Preferred Shares, a Preferred Share held by CF Turul LLC (“*CF Turul*”), an affiliate of Fortress Investment Group LLC, will not be converted in order to preserve CF Turul’s continuing rights under the certificate of designation governing the Series A Preferred Shares. The Preferred Share held by CF Turul following the Conversion Date will not be entitled to receive dividends and distributions. It is HGI’s understanding that prior to the Conversion Date, CF Turul obtained required insurance regulatory approvals and as a result the limitation on voting previously applicable to CF Turul is no longer applicable.

Corporate Structure

The following diagram represents our current corporate structure, and depicts only our material subsidiaries:



Summary of the Terms of the Offer

The following summary is provided solely for the convenience of Holders. This summary highlights selected information contained in the Offer Documents and may not contain all of the information that is important to you. For a complete understanding of the Offer, you should read this entire Offering Memorandum and the Letter of Transmittal.

The Company	Harbinger Group Inc., a Delaware corporation.
The Offer	<p>The Company is offering to exchange up to \$350.0 million aggregate principal amount of its Additional Senior Notes for its outstanding Senior Secured Notes validly tendered in the Offer (including, if the Offer is earlier terminated or extended or amended, the terms and conditions of such earlier termination or extension or amendment).</p> <p>Holders who validly tender and do not validly withdraw their Senior Secured Notes by the Early Tender Time will receive the Total Consideration on the Early Settlement Date (as defined below). Holders who validly tender their Senior Secured Notes after the Early Tender Time but by the Expiration Time will receive, if the Offer is not fully subscribed as of the Early Tender Time, only the Offer Consideration on the Final Settlement Date (as defined below). If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.</p> <p>See “The Offer.”</p>
Total Consideration	<p>The Total Consideration for each \$1,000 principal amount of Senior Secured Notes provides Holders who validly tender Senior Secured Notes \$1,092.50 principal amount of Additional Senior Notes (which includes the Early Tender Payment of \$50 principal amount of Additional Senior Notes), adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes issued, in each case to but not including the Early Settlement Date. For more information on how the Total Consideration will be calculated, see “The Offer—Consideration.”</p> <p>The Total Consideration will be paid in respect of Senior Secured Notes validly tendered and not validly withdrawn by the Early Tender Time that are accepted for exchange. See “—Tender Cap” and “—Proration.”</p>

Offer Consideration	<p>The Offer Consideration for each \$1,000 principal amount of Senior Secured Notes provides Holders who validly tender Senior Secured Notes \$1,042.50 principal amount of Additional Senior Notes, adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes issued, in each case to but not including the Final Settlement Date. For more information on how the Offer Consideration will be calculated, see “The Offer—Consideration.”</p> <p>The Offer Consideration will be paid in respect of Senior Secured Notes validly tendered and not validly withdrawn after the Early Tender Time but by the Expiration Time that are accepted for exchange. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange. See “—Tender Cap” and “—Proration.”</p>
Accrued Interest	<p>The Company will not be required to pay participating Holders accrued and unpaid interest on the Senior Secured Notes exchanged for Additional Senior Notes in cash, and participating Holders will not be required to pay the Company prefunded accrued interest on the Additional Senior Notes issued in exchange for Senior Secured Notes in cash. However, each of the Total Consideration and the Offer Consideration includes an adjustment to the principal amount of Additional Senior Notes issued per \$1,000 principal amount of Senior Secured Notes to give participating Holders the benefit of such accrued and unpaid interest and to give the Company the benefit of such prefunded accrued interest.</p>
Conditions to the Offer	<p>Notwithstanding any other provision of the Offer, the Company’s obligation to accept for exchange, and to issue the Additional Senior Notes for, Senior Secured Notes validly tendered and not validly withdrawn, subject to the Tender Cap, is conditioned upon satisfaction of the General Conditions discussed in detail under “The Offer—Conditions of the Offer.” The Offer is not conditioned upon any minimum amount of Senior Secured Notes being tendered.</p>

Early Tender Time	<p>The Early Tender Time is 5:00 pm, Eastern Time, on May 28, 2014, unless earlier terminated by the Company, or, if the Early Tender Time is extended, the latest time and date to which the Early Tender Time is so extended. If the Company extends the Early Tender Time, it will issue a press release announcing the new Early Tender Time.</p>
Expiration Time	<p>The Expiration Time of the Offer is 11:59 pm, Eastern Time, on June 11, 2014, unless earlier terminated by the Company, or, if the Offer is extended, the latest time and date to which the Offer is so extended. If the Company extends the Offer, it will issue a press release on the next business day no later than 9:00 am following the previously scheduled Expiration Time announcing the new Expiration Time.</p>
Tender Cap	<p>If Senior Secured Notes are accepted in the Offer, we will exchange up to an aggregate principal amount of the outstanding Senior Secured Notes that would result in us issuing not more than \$350,000,000 Additional Senior Notes.</p>
	<p>The Company reserves the right, but is under no obligation, to increase the Tender Cap. If the Company increases the Tender Cap, the Company does not expect to extend the Withdrawal Deadline, subject to applicable law. The amount of Senior Secured Notes accepted for exchange will be prorated based on the aggregate principal amount validly tendered and not withdrawn as of the Early Tender Time or the Expiration Time, as applicable. See “—Proration.”</p>
Proration	<p>With respect to the Senior Secured Notes, if the acceptance of all validly tendered Senior Secured Notes would cause us to issue a principal amount of Additional Senior Notes greater than the Tender Cap, then the Offer will be oversubscribed and, if we accept any Senior Secured Notes, we will accept for exchange tendered Senior Secured Notes only on a prorated basis, with the aggregate principal amount of each Holder’s validly tendered Senior Secured Notes accepted for exchange determined by multiplying each Holder’s tender by the applicable proration factor, and rounding the product down to the nearest \$1,000 to avoid acceptance of Senior Secured Notes in principal amounts other than integral multiples of \$1,000. Senior Secured Notes not accepted due to proration will be promptly returned or credited to the Holder’s account.</p>

So long as the other terms and conditions described herein are satisfied and subject to the Tender Cap, we intend to accept for exchange all Senior Secured Notes validly tendered at or prior to the Early Tender Time, and will only prorate such Senior Secured Notes if the aggregate principal amount of Additional Senior Notes issuable upon exchange of Senior Secured Notes validly tendered and not withdrawn exceeds the Tender Cap. If the Offer is not fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes in the Offer after the Early Tender Time may be subject to proration, whereas Holders who validly tender Senior Secured Notes at or prior to the Early Tender Time will not be subject to proration. Furthermore, if the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.

The Company will not accept any tender that would result in the issuance of less than \$2,000 principal amount of Additional Senior Notes to a participating holder. The aggregate principal amount of Additional Senior Notes issued to each participating holder for all Senior Secured Notes properly tendered (and not withdrawn) and accepted by the Company will be rounded down, if necessary, to \$2,000 or the nearest whole multiple of \$1,000 in excess thereof. This rounded amount will be the principal amount of Additional Senior Notes you will receive, and no additional cash will be paid in lieu of any principal amount of Additional Senior Notes not received as a result of rounding down.

Early Settlement Date

The Early Settlement Date in respect of the Senior Secured Notes that are validly tendered at or prior to the Early Tender Time and not validly withdrawn prior to the Withdrawal Deadline and accepted for exchange (subject to the Tender Cap and after any required proration) will be promptly after the Early Tender Time, but prior to the Expiration Time, and is expected to be on or about May 30, 2014, two business days following the Early Tender Time, unless the Early Tender Time is extended by the Company in its sole discretion.

Final Settlement Date

The Final Settlement Date in respect of Senior Secured Notes that are validly tendered after the Early Tender Time but at or prior to the Expiration Time and accepted for exchange will be promptly (subject to the Tender Cap and

after any required proration) after the Expiration Time and is expected to be on or about June 13, 2014, two business days following the Expiration Time, unless the Expiration Time is extended by the Company in its sole discretion.

How to Tender Notes

To validly tender Senior Secured Notes pursuant to the Offer, Holders must deliver the tendered Senior Secured Notes, the Letter of Transmittal and the related documents to the Information and Exchange Agent (as defined below) (or comply with the ATOP procedures (as defined below)) by the Early Tender Time to receive the Total Consideration, or after the Early Tender Time but by the Expiration Time to receive the Offer Consideration. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange. See “—Proration.”

- A Holder whose Senior Secured Notes are held by a broker, dealer, commercial bank, trust company or other nominee must contact such custodial entity promptly and instruct such custodial entity to tender the Senior Secured Notes on such Holder’s behalf.
- Holders who are DTC participants must tender their beneficial interest in the Senior Secured Notes through ATOP.

The Company is not offering a guaranteed delivery procedure in connection with the Offer; consequently, if a Holder is unable to complete the above procedures for tendering Senior Secured Notes by the Expiration Time, such Holder will not be able to tender Senior Secured Notes in the Offer.

See “The Offer—Procedures for Tendering Notes.”

Untendered Notes

Senior Secured Notes that are not validly tendered will remain outstanding and may represent a materially smaller aggregate principal amount of Senior Secured Notes than were outstanding before the Offer, which may adversely affect the market price for, and liquidity and credit ratings of, such outstanding Senior Secured Notes.

In addition, upon our acceptance of the Senior Secured Notes validly tendered (and not validly withdrawn) as of the Early Tender Time pursuant to the Offer, subject to the

Tender Cap and any required proration, the Senior Secured Indenture Amendments to the Senior Secured Indenture will become operative. If the Senior Secured Indenture Amendments become operative, HGI, among other things, will have greater flexibility to repurchase or redeem its outstanding common stock. For more information on the Senior Secured Indenture Amendments, see “—Recent Developments—Supplemental Indenture.”

See “Risk Factors” for a discussion of some of the risks associated with the Offer.

Withdrawal and
Revocation Rights

The Withdrawal Deadline is 5:00 pm, Eastern Time, on May 28, 2014 (unless extended or earlier terminated by the Company). Senior Secured Notes tendered may be validly withdrawn at any time by the Withdrawal Deadline by following the procedures described herein, but not thereafter, unless the Company amends the Offer to permit such withdrawal or revocation or the Company is required by law to permit such withdrawal or revocation. If the Company extends the Withdrawal Deadline, it will issue a press release announcing the new Withdrawal Deadline. See “The Offer—Withdrawal of Tenders.” While initially the Early Tender Time is also the deadline for Holders to withdraw previously tendered Senior Secured Notes, the Company reserves the right to extend the Early Tender Time without extending the right to withdraw previously tendered Senior Secured Notes. See “The Offer—Withdrawal of Tenders” herein.

Extension, Amendment
and Termination

The Company may, in its discretion and subject to applicable law, extend, amend or terminate the Offer at any time as described herein. See “The Offer—Extension, Termination or Amendment.”

Material U.S. Federal
Income Tax Consequences

For a discussion of material U.S. federal income tax considerations and consequences with respect to the Offer see “Certain U.S. Federal Income Tax Considerations.”

Trustee

Wells Fargo Bank, National Association.

Information and Exchange Agent

D.F. King & Co., Inc.

Financial Advisor

Credit Suisse Securities (USA) LLC (“Credit Suisse”).

No Recommendation

None of the Company, the Financial Advisor, the Information and Exchange Agent, if any, the Trustee or any of their respective affiliates, directors, officers or employees is making any recommendation as to whether Holders should tender their Senior Secured Notes in the Offer.

Additional Copies;
Further Information

Additional copies of the Offer Documents may be obtained by contacting the Information and Exchange Agent at its address and telephone numbers set forth on the back cover page of this Offering Memorandum. Questions about the terms of the Offer should be directed to the Information and Exchange Agent at its address and telephone numbers set forth on the back cover page of this Offering Memorandum.

Summary of the Terms of the Additional Senior Notes

The following is a summary of the terms of the Additional Senior Notes. For a more complete description of these Additional Senior Notes as well as the definitions of certain capitalized terms used below, see the section entitled "Description of Notes" of the Senior Notes Prospectus, which is incorporated by reference herein.

Issuer	Harbinger Group Inc.
Securities Offered	Up to \$350,000,000 aggregate principal amount of 7.750% Senior Notes due 2022. The Additional Senior Notes offered by us are being issued as additional 7.750% Senior Notes due 2022 under the Senior Indenture, dated as of January 21, 2014, between the Company and Wells Fargo National Association, as trustee. Before the Exchange Offer, there are \$200.0 million of 7.750% Senior Secured Notes outstanding under the Senior Indenture. The Additional Senior Notes we are offering constitute "additional notes" under the indenture and will vote together with the Existing Senior Notes as a single class under the Senior Indenture.
Maturity	January 15, 2022.
Interest	Interest will be payable in cash on January 15 and July 15 of each year. The first interest payment date for the Additional Senior Notes offered hereby will be July 15, 2014. Interest on the Additional Senior Notes will accrue from and including January 21, 2014, the issue date of the Existing Senior Notes.
Optional Redemption	<p>On or after July 15, 2017, we may redeem some or all of the Senior Notes at any time at the redemption prices set forth in the section entitled "Description of Notes" of the Senior Notes Prospectus, which is incorporated by reference herein. In addition, prior to July 15, 2017, we may redeem the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes plus a "make-whole" premium.</p> <p>Before July 15, 2017, we may redeem up to 35% of the Senior Notes, including further additional notes, with the proceeds of equity sales at a price of 107.750% of principal plus accrued and unpaid interest, provided that at least 65% of the original aggregate principal amount of the Senior Notes issued under the Senior Indenture remains outstanding after the redemption, as further described in the section entitled "Description of Notes" of the Senior Notes Prospectus, which is incorporated by reference herein.</p>

Change of Control	Upon a change of control (as defined in the Senior Indenture and as described in the section entitled “Description of Notes” of the Senior Notes Prospectus, which is incorporated by reference herein), we are required to make an offer to purchase the Senior Notes. The purchase price will equal 101% of the principal amount of the Senior Notes on the date of purchase plus accrued and unpaid interest. We may not have sufficient funds available at the time of any change of control to make any required debt repayment (including repurchases of the notes). See “Risk Factors—We may be unable to repurchase the Senior Notes upon a change of control” included in the Senior Notes Prospectus, which is incorporated by reference herein.
Guarantors	Any subsidiary that guarantees our debt will guarantee the Senior Notes. You should not expect that any subsidiaries will guarantee the Senior Notes.
Ranking	<p>The Senior Notes are our unsecured unsubordinated obligations and:</p> <ul style="list-style-type: none"> • rank equally in right of payment to all of our existing and future unsubordinated debt; • are effectively subordinated to all our secured debt to the extent of the value of the collateral securing that debt; • are effectively subordinated to all liabilities of our subsidiaries; and • rank senior in right of payment to all of our and our guarantors’ future debt that expressly provides for its subordination to the Senior Notes and the note guarantees. <p>As of March 31, 2014, HGI had no debt other than the Senior Secured Notes and the Senior Notes. All of the Senior Secured Notes will be effectively senior to the Additional Senior Notes to the extent of the value of the collateral securing such indebtedness. As of March 31, 2014, the total liabilities of Spectrum Brands were approximately \$4.7 billion, including trade payables. As of March 31, 2014, the total liabilities of FGL were</p>

approximately \$21.9 billion, including approximately \$16.0 billion in annuity contractholder funds, approximately \$3.5 billion in future policy benefits and approximately \$300.0 million of indebtedness under Fidelity & Guaranty Life Holdings, Inc.'s 6.375% Senior Notes due 2021 (the "FGH Notes"). As of March 31, 2014, the total liabilities of HGI Asset Management Holdings, LLC were approximately \$0.3 million and were approximately \$619.1 million when consolidated with Salus and Five Island Asset Management, LLC ("Five Island"). As of March 31, 2014, the total liabilities of HGI Energy were approximately \$412.0 million. As a result of HGI's holding company structure, claims of creditors of HGI's subsidiaries will generally have priority as to the assets of HGI's subsidiaries over claims of HGI and over claims of the holders of HGI's indebtedness, including the exchange notes.

As of March 31, 2014, our total liabilities on an unconsolidated and consolidated basis would have been \$1.6 billion and \$27.6 billion, respectively.

The Senior Indenture contains covenants, subject to specified exceptions, limiting our ability and, in certain cases, our subsidiaries' ability to:

- 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.

We are also required to maintain compliance with a minimum liquidity covenant.

You should read the section entitled "Description of Notes—Certain Covenants" of the Senior Notes Prospectus, which is incorporated by reference herein, for a description of these covenants.

Certain Covenants

Transfer Restrictions	The Offer is being made to you in reliance on an exemption from registration provided by Section 3(a)(9) of the Securities Act. The Additional Senior Notes to be issued in the Offer have not been and will not be registered with the SEC. However, the Additional Senior Notes that you receive in the Offer are expected to be freely tradable as that term is defined in the Securities Act, to the same extent as the Senior Secured Notes exchanged therefor.
Limited Trading Market	Neither the Additional Senior Notes nor the Existing Senior Notes are listed on any securities exchange or on any automated dealer quotation system. We cannot assure you that an active or liquid trading market for the Senior Notes will develop. If an active or liquid trading market for the Senior Notes does not develop, the market price and liquidity of the Senior Notes may be adversely affected.
Form and Denominations	The Additional Senior Notes will be book-entry only and registered in the name of a nominee of DTC. The Additional Senior Notes will be issued in minimum denominations of \$2,000 and higher integral multiples of \$1,000. The aggregate principal amount of Additional Senior Notes issued to each participating holder for all Senior Secured Notes properly tendered (and not withdrawn) and accepted by the Company will be rounded down, if necessary, to \$2,000 or the nearest whole multiple of \$1,000 in excess thereof. This rounded amount will be the principal amount of Additional Senior Notes you will receive, and no additional cash will be paid in lieu of any principal amount of Additional Senior Notes not received as a result of rounding down.
Use of Proceeds	We will not receive any proceeds from the Offer or issuance of the Additional Senior Notes.
Risk Factors	Investing in the Senior Notes involves substantial risks and uncertainties. See the sections entitled "Risk Factors" in this Offering Memorandum and in the Senior Notes Prospectus, which is incorporated by reference herein, and other information included in or incorporated by reference in this Offering Memorandum for a discussion of factors you should carefully consider before deciding to invest in the Senior Notes.

RISK FACTORS

Before investing in the Senior Notes, you should carefully consider the risk factors discussed below and the risk factors incorporated by reference into this Offering Memorandum. See “Where You Can Find More Information.” Any of these risk factors could materially and adversely affect our or our subsidiaries’ business, financial condition and results of operations. These risk factors are not the only risks that we or our subsidiaries may face. Additional risks and uncertainties not presently known to us or our subsidiaries or that are not currently believed to be material also may adversely affect us or our subsidiaries. These risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future.

Risks Related to Participating in the Offer

There are conditions to the consummation of the Offer.

The consummation of the Offer is subject to the satisfaction or waiver of certain conditions. See “The Offer—Conditions of the Offer.” There can be no assurance that the Offer will be consummated or that any failure to consummate the Offer will not have a negative effect on the market price and liquidity of the Senior Notes.

The Company may subsequently redeem or purchase Senior Secured Notes, including at higher prices than are being offered in the Offer.

Whether or not the Offer is completed, the Company and its affiliates may from time to time acquire Senior Secured Notes, other than pursuant to the Offer, and Senior Notes through redemptions, open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, subject to the terms of the Senior Secured Indenture and the Senior Indenture, as applicable, and applicable law, upon such terms and at such prices as the Company or its affiliates may determine, which may be more or less than the consideration to be received by participating Holders in the Offer and, in either case, could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives or combinations thereof the Company or its affiliates may choose to pursue in the future.

Nothing contained in the Offer will prevent the Company from exercising its rights under the Senior Secured Indenture or the Senior Indenture to redeem the Senior Secured Notes or Senior Notes, as applicable, or to defease or satisfy and discharge its obligations under the Senior Secured Indenture or the Senior Indenture.

The Company cannot assure you as to which, if any, of these alternatives, or combinations thereof, the Company or its affiliates will pursue.

There may be a more limited trading market for the Senior Secured Notes following the consummation of the Offer.

To the extent that the Senior Secured Notes are traded, prices of the Senior Secured Notes may fluctuate widely depending on trading volume, the balance between buy and sell orders, prevailing interest rates, the Company’s operating results and the market for similar securities. To the extent such information is available, Holders are urged to obtain current market quotations for the Senior Secured Notes before making any decision with respect to the Offer.

To the extent that Senior Secured Notes are tendered and accepted in the Offer, such Senior Secured Notes will cease to be outstanding and will be promptly cancelled. As a result, any existing trading market for the remaining Senior Secured Notes may become more limited. A debt security with a smaller outstanding principal amount available for trading, which the financial services industry refers to as a smaller “float,” may command a lower price than would a comparable debt security with a greater float. Therefore, the market price for Senior Secured Notes not exchanged in the Offer may be adversely affected if the amount of Senior Secured Notes exchanged in the Offer reduces the float of the Notes. The reduced float may also tend to make the trading price more volatile. Moreover, there can be no assurance that any trading market will exist for the Senior Secured Notes or the Senior Notes following the Offer. The extent of the public market for the Senior Secured Notes or the Senior Notes, if any, following the completion of the Offer, will depend upon the number of holders of Senior Secured Notes or the Senior Notes, as applicable, the interest in maintaining a market in the Senior Secured Notes or the Senior Notes on the part of securities firms and other factors.

Participation in the Offer and Oversubscription.

If the Offer is oversubscribed, Holders who tender their Senior Secured Notes in the Offer prior to the Early Tender time will be treated more favorably than those who tender after such time. Such early tendering Holders will be given priority under the proration provisions. If the Offer is not fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time may be subject to proration, whereas Holders who validly tender Senior Secured Notes at or prior to the Early Tender Time will not be subject to proration. Furthermore, if the Offer is fully subscribed as of the Early Tender time, Holders who validly tender Senior Secured Notes in the Offer after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.

You must comply with the Offer procedures to receive Additional Senior Notes.

Delivery of Additional Senior Notes in exchange for Senior Secured Notes tendered and accepted for the exchange pursuant to the Offer will be made only after timely receipt by the Information and Exchange Agent of the following:

- book-entry confirmation of a book-entry transfer of Senior Secured Notes into the Information and Exchange Agent’s account at DTC, New York, New York as a depository, including an Agent’s Message (as defined herein), if the tendering holder does not deliver a Letter of Transmittal;
- a complete and signed Letter of Transmittal, or facsimile copy, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent’s Message in place of the Letter of Transmittal; and
- any other documents required by the Letter of Transmittal.

Therefore, Holders who would like to tender Senior Secured Notes in exchange for Additional Senior Notes should be sure to allow enough time for the necessary documents to be timely received by the Information and Exchange Agent. We are not required to notify you of defects or irregularities in tenders of Senior Secured Notes for exchange.

The Senior Secured Indenture Amendments will allow the Company to take certain actions previously prohibited under the Senior Secured Indenture.

The Senior Secured Indenture Amendments will, among other things, give the Company greater flexibility to repurchase or redeem its outstanding common stock under the Senior Secured Indenture. Such ability of the Company to take certain actions previously prohibited could materially increase its credit risk or could otherwise be materially adverse to Holders and could adversely affect the market prices and credit ratings of the remaining Senior Secured Notes. See “Summary—Recent Developments—Supplemental Indenture.”

Participating in the Offer could have tax consequences to Holders.

Participating in the Offer could have tax consequences to Holders. See “Certain U.S. Federal Income Tax Considerations” for a discussion of material U.S. federal income tax considerations and consequences of the Offer.

No recommendation is being made with respect to the Offer.

None of the Company, the Financial Advisor, the Information and Exchange Agent, the Trustee or any of their respective affiliates, directors, officers or employees is making any recommendation to Holders as to whether to tender or refrain from tendering Senior Secured Notes for exchange pursuant to the Offer.

The exchange ratio offered for the Senior Secured Notes does not reflect any independent valuation of the Senior Secured Notes and does not take into account events or changes in financial markets (including interest rates) after the commencement of the Offer. The Company has not obtained or requested a fairness opinion from any banking or other firm as to the fairness of the consideration offered for the Senior Secured Notes. If you tender your Senior Secured Notes, you may or may not receive as much or more value than if you choose to keep them.

Each Holder must make his or her own decision whether to tender his or her Senior Secured Notes, and, if so, the principal amount of Senior Secured Notes to tender, based on such Holder’s assessment of current market value and other relevant factors.

Risks Related to the Additional Senior Notes

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

As a holding company, our only material assets are our cash on hand, the equity interests in our subsidiaries and other investments. As of March 31, 2014, excluding cash, cash equivalents and short-term investments held by our operating subsidiaries, we had approximately

\$454.3 million in cash, cash equivalents and short-term investments, which includes \$83.7 million held by our wholly-owned subsidiary, HGI Funding. Our principal source of revenue and cash flow is distributions from our subsidiaries. Thus, our ability to service our debt, finance acquisitions and pay dividends to our stockholders in the future is dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to us. Our subsidiaries are and will be separate legal entities, and although they may be wholly-owned or controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, distributions or otherwise. The board of directors of our subsidiaries may consider a range of factors and consider their stockholder constituencies (including public shareholders) as a whole when making decisions about dividends. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that are contained in our subsidiaries' financing agreements, availability of sufficient funds in such subsidiaries and applicable state laws and regulatory restrictions. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us could be limited in any way, our ability to grow, pursue business opportunities or make acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business could be materially limited.

As an example, our subsidiary Spectrum Brands is a holding company with limited business operations of its own and its main assets are the capital stock of its subsidiaries, principally Spectrum Brands, Inc. ("*SBI*"). The terms of Spectrum Brands' indebtedness may limit its ability to pay dividends to us and its other stockholders. See Part I, Item IA. "Risk Factors—Risks Related to Spectrum Brands—SBI's 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" and Part I, Item IA. "Risk Factors—Risks Related to Spectrum Brands—Restrictive covenants in SBI's Senior Secured Facilities and the 2020 Indenture may restrict SBI's ability to pursue its business strategies" contained in our 2013 Annual Report.

FGL is also a holding company with limited business operations of its own. Its main assets are the capital stock of its subsidiaries, which are principally regulated insurance companies, whose ability to pay dividends is limited by applicable insurance laws. Accordingly, FGL's ability to pay dividends to us and its other stockholders is dependent, to a significant extent, on the generation of cash flow by its subsidiaries and their ability to make such cash available to FGL, by dividend or otherwise. FGL's subsidiaries may not be able to, or may not be permitted to, make distributions to enable FGL to meet its obligations and pay dividends. Each subsidiary is a distinct legal entity and legal and contractual restrictions may also limit FGL's ability to obtain cash from its subsidiaries. See Part I, Item 1. "Business—Our Operating Subsidiaries—FGL—Regulation— Financial Regulation—Dividend and Other Distribution Payment Limitations" and Part I, Item 1A. "Risk Factors—Risks Related to FGL—The indenture governing the FGH Notes imposes significant operating and financial restrictions, which may prevent FGL from capitalizing on business opportunities" contained in our 2013 Annual Report. In addition, upon the completion of the initial public offering of FGL, our proportion of any dividends paid by FGL was proportionally reduced to match our ownership interest in FGL.

Additionally, the terms of EXCO/HGI JV's indebtedness may adversely affect its cash flow and may limit its ability to pay distributions to us and its other equity holders. See Part I, Item 1A. "Risk Factors—Risks Related to EXCO/HGI JV—The EXCO/HGI JV has a substantial amount of indebtedness, which may adversely affect its cash flow and ability to operate its business, remain in compliance with debt covenants and make payments on its debt and distributions to us" contained in our 2013 Annual Report.

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

The Senior Notes are effectively subordinated to HGI's existing and future secured debt, including the Senior Secured Notes, to the extent of the value of the collateral securing such debt, and are structurally subordinated to all liabilities of our subsidiaries.

The Senior Notes are not secured by any of our assets. The Senior Notes are therefore effectively subordinated to HGI's secured indebtedness, including the Senior Secured Notes, to the extent of the value of the collateral securing such indebtedness. As of March 31, 2014, on a pro forma basis as adjusted basis to give effect to the Offer, assuming \$350.0 million aggregate principal amount of Additional Senior Notes are issued in exchange for Senior Secured Notes accepted by us on the Early Tender Time in the Offer (assuming such original Early Tender Time date is not extended or earlier terminated), and the Preferred Stock Conversion, HGI had \$604.4 million of secured indebtedness outstanding.

Further, we may incur future indebtedness, some of which may be secured by liens on our assets, to the extent permitted by the Senior Indenture and terms of our other agreements, including the Senior Secured Indenture. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Senior Notes. Holders of the Senior Notes will participate ratably with all holders of our senior unsecured indebtedness and potentially with all of our general creditors.

The Senior Notes are our senior unsecured obligations. The Senior Notes are not, and are not expected to be, guaranteed by any of our current or future subsidiaries. As a result of our holding company structure, claims of creditors of our subsidiaries will generally have priority as to the assets of our subsidiaries over our claims and over claims of the holders of our indebtedness, including the Senior Notes. As of March 31, 2014, the total liabilities of Spectrum Brands were approximately \$4.7 billion, including trade payables. As of March 31, 2014, the total liabilities of FGL were approximately \$21.9 billion, including approximately \$16.0 billion in annuity contractholder funds, approximately \$3.5 billion in future policy benefits and approximately \$300.0 million of indebtedness under the FGH Notes. As of March 31, 2014, the total liabilities of HGI Asset Management Holdings, LLC were approximately \$0.3 million and were approximately \$619.1 million when consolidated with Salus and Five Island. As of March 31, 2014, the total liabilities of HGI Energy were \$412.0 million.

The creditors of our subsidiaries have direct claims on such subsidiaries and their assets and the claims of holders of the Senior Secured Notes and the Senior Notes are "structurally subordinated" to any existing and

future liabilities of our subsidiaries. This means that the creditors of our subsidiaries have priority in their claims on the assets of the subsidiaries over our creditors, including the noteholders.

As a result, upon any distribution to the creditors of any subsidiary in bankruptcy, liquidation, reorganization or similar proceedings, or following acceleration of our indebtedness or an event of default under such indebtedness, the lenders or noteholders, as the case may be, of the indebtedness of our subsidiaries will be entitled to be repaid in full by such subsidiaries before any payment is made to HGI. Each of the Senior Indenture and the Senior Secured Indenture does not restrict the ability of our subsidiaries to incur additional indebtedness or grant liens secured by assets of our subsidiaries.

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

Subject to the limitations set forth in the Senior Indenture and terms of our other agreements, including the Senior Secured Indenture, we and our subsidiaries may incur additional indebtedness (including secured obligations) in the future. If we incur any additional indebtedness that ranks equally with the Senior Notes, the holders of that indebtedness will be entitled to share ratably with the holders of the Senior Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. If we incur additional secured indebtedness, the holders of such indebtedness will be effectively senior to the holders of the Senior Notes to the extent of the value of the collateral securing such indebtedness. This may have the effect of reducing the amount of proceeds paid to holders of the Senior Notes. If new indebtedness is added to our current levels of indebtedness, the related risks that we now face, including our possible inability to service our debt, could intensify. Additionally, if our subsidiaries incur additional debt, the Senior Notes will be structurally subordinated to such debt.

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

Under the Senior Indenture, each holder of Senior Notes may require us to repurchase all of such holder's Senior Notes at a purchase price equal to 101% of the principal amount of the Senior 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 Senior Indenture to make the required repurchase of the Senior Notes. If we fail to repurchase Senior Notes in that circumstance, we will be in default under the Senior Indenture. If we are required to repurchase a significant portion of the Senior 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.

An active public market may not develop for the Additional Senior Notes, which may hinder your ability to liquidate your investment.

We do not intend to list the Additional Senior Notes on any securities exchange or to seek approval for quotations through any automated quotation system, and we cannot assure you that:

- a liquid market for the Additional Senior Notes will develop;

- you will be able to sell your Additional Senior Notes; or
- you will receive any specific price upon any sale of the Additional Senior Notes.

We also cannot assure you as to the level of liquidity of the trading market for the Additional Senior Notes, if one does develop. If a public market for the Additional Senior Notes develops, the Additional Senior Notes could trade at prices that may be higher or lower than their principal amount or implicit purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance. If no active trading market develops, you may not be able to resell your Additional Senior Notes at their fair market value or at all.

Fraudulent transfer statutes may limit your rights as a holder of the Senior Notes.

Federal and state fraudulent transfer laws as previously interpreted by various courts permit a court, if it makes certain findings, to:

- avoid all or a portion of our obligations to holders of the Senior Notes;
- subordinate our obligations to holders of the Senior Notes to our other existing and future creditors, entitling such creditors to be paid in full before any payment is made on the Senior Notes; and
- take other action detrimental to holders of the Senior Notes, including invalidating the Senior Notes.

In that event, we cannot assure you that you would ever be repaid. There is also no assurance that amounts previously paid to you pursuant to the Senior Notes or guarantees (if any) would not be subject to return.

Under federal and state fraudulent transfer laws, in order to take any of those actions, courts will typically need to find that we or the guarantors (if any) received less than fair consideration or reasonably equivalent value for incurring the indebtedness represented by the Senior Notes, and at the time the Senior Notes were issued:

- were insolvent or were rendered insolvent by reason of the issuance of the Senior Notes;
- were engaged, or were about to engage, in a business or transaction for which our capital was unreasonably small;
- intended to incur, or believed or should have believed we would incur, indebtedness beyond our ability to pay as such indebtedness matures; or
- were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment was unsatisfied.

A court may also void an issuance of Senior Notes, a guarantee or grant of security, without regard to the above factors, if the court found that we issued the Senior Notes or the guarantors (if any) entered into their respective guaranty with actual intent to hinder, delay or defraud current or future creditors.

Many of the foregoing terms are defined in or interpreted under those fraudulent transfer statutes and as judicially interpreted. A court could find that we did not receive fair consideration or reasonably equivalent value for the incurrence of the indebtedness represented by the Senior Notes.

The measure of insolvency for purposes of the foregoing considerations will vary depending on the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it incurred the indebtedness:

- the sum of its indebtedness (including contingent liabilities) is greater than its assets, at fair valuation;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing indebtedness and liabilities (including contingent liabilities) as they become absolute and matured; or
- it could not pay its debts as they became due.

We cannot assure you what standard a court would apply in determining our solvency and whether it would conclude that we were solvent when we incurred our obligations under the Senior Notes.

In addition, the guarantees of the Senior Notes (if any) may also be subject to review under various laws for the protection of creditors. A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the Senior Notes or the guarantees, respectively, if we or a guarantor did not substantially benefit directly from the issuance of the Senior Notes. If a court were to void an issuance of the Senior Notes or the guarantees, you would no longer have a claim against us or the guarantors. Sufficient funds to repay the Senior Notes (or the related exchange notes) may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from us or the guarantors. In addition, any payment by us pursuant to the Senior Notes made at a time we were found to be insolvent could be voided and required to be returned to us or to a fund for the benefit of our creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give the creditors more than such creditors would have received in a distribution under the bankruptcy code.

Changes in credit ratings issued by nationally recognized statistical ratings organizations could adversely affect our cost of financing and the market price of our securities, including the Senior Notes.

Credit rating agencies rate our debt securities and our subsidiaries' debt securities on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us or our subsidiaries on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or our subsidiaries' debt securities or placing us or our subsidiaries on a watch list for possible future downgrading would likely increase our cost of financing, limit our access to the capital markets and have an adverse effect on the market price of our securities, including the Senior Notes offered hereby.

USE OF PROCEEDS

We will not receive any proceeds from the Offer or issuance of the Additional Senior Notes.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, short-term investments and consolidated capitalization as of March 31, 2014:

- on an actual basis; and
- on a pro forma as adjusted basis to give effect to the Offer, assuming \$350.0 million aggregate principal amount of Additional Senior Notes are issued in exchange for Senior Secured Notes accepted by us on the Early Tender Time in the Offer (assuming such original Early Tender Time is not extended or earlier terminated), and the Preferred Stock Conversion.

This table should be read together with the financial statements and related notes of each of us, the hardware and home improvement business currently owned by Spectrum Brands and previously owned by Stanley Black & Decker, Inc. and certain of its subsidiaries (the “HHI Business”) and the EXCO/HGI JV included or incorporated by reference into this Offering Memorandum.

(In millions)	HGI as of March 31, 2014	Pro Forma as Adjusted HGI as of March 31, 2014
Cash and cash equivalents	\$ 1,319.8	\$ 1,319.8
Debt:		
<i>HGI Debt:</i>		
HGI Senior Secured Notes due 2019(1)	\$ 925.0	\$ 604.4
HGI Senior Notes due 2022	200.0	550.0
<i>SBI Debt:</i>		
SBI Term Loans (2)(3)	1,732.9	1,732.9
SBI Senior Notes (4)(5)	1,390.0	1,390.0
SBI ABL Facility (6)	167.5	167.5
Other notes and obligations	50.4	50.4
Capital leases and other	97.0	97.0
<i>FGL Debt:</i>		
FGH Notes(7)	300.0	300.0
<i>EXCO/HGI JV Debt:</i>		
Revolving Credit Facility (8)	250.6	250.6
<i>Salus Debt:</i>		
Unaffiliated long term debt of consolidated variable interest entity	191.8	191.8
Secured borrowings under non-qualifying loan participations	100.0	100.0
Total	5,405.2	5,434.6
Original issuance net premium (discount) on debt	(8.9)	(8.9)
Total debt	5,396.3	5,425.7
Redeemable preferred stock (9)	319.3	—
Total HGI stockholders' equity	693.5	1,377.6
Total capitalization	\$ 6,409.1	\$ 6,803.3

- (1) Consists of \$700.0 million and \$225.0 million aggregate principal amount of notes that were issued at a price equal to 99.362% and 101.50%, respectively, of the principal amount thereof.
- (2) On December 17, 2012, SBI entered into a term loan facility (the “*Term Loan Facility*”). The Term Loan Facility provided for borrowings in an aggregate principal amount of \$800.0 million, with \$100.0 million in Canadian dollar equivalents to be made available to one of the borrower’s Canadian subsidiaries. The terms of the Term Loan Facility allowed SBI, subject to certain conditions, to increase the commitments under the Term Loan Facility, in an aggregate incremental amount not to exceed \$350.0 million plus an additional amount subject to compliance with certain secured net leverage ratio requirements. The Term Loan Facility has a seven-year term. On September 4, 2013 (the “*Term Loan Closing Date*”), SBI closed on \$1.15 billion of term loans (the “*September SBI Loans*”) and entered into an amendment to the Term Loan Facility (as amended, the “*Amended Term Loan Facility*”). The September SBI Loans comprise two new tranches under the Amended Term Loan Facility: (i) tranche A term loans in aggregate principal amount of \$850 million (the “*Tranche A Loans*”) and (ii) tranche C term loans in an aggregate amount of \$300 million (the “*Tranche C Loans*”). The existing term loans outstanding on the Term Loan Facility are referred to as the “*Tranche B Loans*.” Tranche A Loans will mature four years from the Term Loan Closing Date and Tranche C Loans will mature on the sixth anniversary of the Term Loan Closing Date. As of September 30, 2013, SBI had \$850 million Tranche A Loans, \$595 million Tranche B Loans and \$300 million Tranche C Loans outstanding.
- (3) On December 18, 2013, SBI entered into the First Restatement Agreement, pursuant to which SBI amended and restated its existing credit agreement, dated as of December 17, 2012 (as amended, the “*Restated Credit Agreement*”). Pursuant to the First Restatement Agreement and the restated Term Credit Agreement, on December 18, 2013, SBI closed on \$215 million term loans (the “*New U.S. Term Loan*”) and a wholly-owned subsidiary of SBI, Spectrum Brands Europe GmbH, closed on €225 million term loans (the “*Euro Term Loan*” and, together with the New U.S. Term Loan, the “*New Term Loans*”).

The Restated Credit Agreement, among other things, shortens the maturity date of the outstanding Canadian term loans from December 17, 2019 to September 4, 2019. Upon the incurrence of the New Term Loans and the repayment of existing term loans with the proceeds thereof, SBI currently has Tranche A Term Loans, Tranche C Term Loans, Initial Canadian Term Loans and Initial Euro Term Loans as defined in, and under the Restated Credit Agreement.

The New U.S. Term Loan has identical terms as, and is made fungible with, the existing Tranche C Term Loans. All outstanding amounts of the Euro Term Loans will bear interest at a rate per annum equal to the Euribor rate with a 0.75% per annum floor, plus a margin equal to 3.00% per annum. The issue price for the New Term Loans is 99.875% of the principal amount thereof, which original issue discount will be amortized over the life of the New Term Loans. The New Term Loans will mature on September 4, 2019.

- (4) On March 15, 2012, SBI issued \$300.0 million aggregate principal amount of 6.75% Senior Notes due 2020 at a price of 100% of the par value. The 6.75% Notes are unsecured and guaranteed by SBI’s parent company, SB/RH Holdings, LLC, as well as by existing and future domestic restricted subsidiaries.
- (5) On December 17, 2012, SBI assumed \$520.0 million aggregate principal amount of the 6.375% Senior Notes due 2020 and \$570.0 million aggregate principal amount of the 6.625% Senior Notes due 2022. SBI used the net proceeds from the offering to fund a portion of the purchase price and related fees and expenses for the Hardware Acquisition.
- (6) The SBI ABL Facility is governed by a credit agreement with the Bank of America as administrative agent. The SBI ABL Facility consists of revolving loans, with a portion available for letters of credit and a portion available as swing line loans, in each case subject to certain terms and limits. The revolving loans may be drawn, repaid and re-borrowed without premium or penalty. As of March 31, 2014, the SBI ABL Facility provides for aggregate borrowings of up to \$400.0 million from time to time, subject to a borrowing base formula, and includes a letter of credit sub-facility and a swingline sub-limit. As at March 31, 2014, SBI had aggregate borrowing availability of approximately \$123.9 million, net of lender reserves of \$8.6 million and outstanding letters of credit of \$49.9 million. The SBI ABL Facility is due on May 24, 2017.
- (7) On March 27, 2013, FGL issued \$300.0 million aggregate principal amount of 6.375% senior notes due April 1, 2021. FGL used the net proceeds from that offering to pay a \$73.0 million dividend, purchase a \$195.0 million surplus note from FGL Insurance (which funds will be used to support the growth of its business and for general corporate purposes) and for FGL’s general corporate purposes.

- (8) On February 14, 2013, in connection with the closing of the transactions in connection with the EXCO/HGI Closing, the EXCO/HGI JV entered into a revolving credit facility. The revolving credit facility as of March 31, 2014 provides for borrowings of up to \$400.0 million. As of March 31, 2014, \$337.0 million was drawn under this agreement and HGI's proportionate share of the obligation was \$250.6 million.
- (9) On May 13, 2011 and August 5, 2011, we issued 280,000 Series A Preferred Shares and 120,000 Series A-2 Preferred Shares, respectively, in private placements pursuant to securities purchase agreements, for aggregate gross proceeds of \$400.0 million. On May 9, 2014 we notified the holders of the Preferred Stock that we would convert the Preferred Stock into Common Stock as of May 15, 2014. See "Summary—Recent Developments—Conversion of Preferred Stock."

THE OFFER

Terms of the Offer

Upon the terms and subject to the conditions set forth in the Offer Documents, HGI is offering to exchange Additional Senior Notes for properly tendered and accepted outstanding Senior Secured Notes.

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, HGI will issue to each Holder who validly tenders Senior Secured Notes at or prior to the Early Tender Time, who does not validly revoke such tender prior to the Withdrawal Deadline and whose Senior Secured Notes are accepted for exchange by HGI in the Offer, the Total Consideration for each \$1,000 principal amount of Senior Secured Notes. Holders who do not validly tender their Senior Secured Notes by the Early Tender Time will not receive the Total Consideration and will only be eligible to receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange. The Total Consideration provides Holders who validly tender by the Early Tender Time \$1,092.50 principal amount of Additional Senior Notes (which includes the Early Tender Payment of \$50 principal amount of Additional Senior Notes) per \$1,000 principal amount of Senior Secured Notes, and the Offer Consideration provides Holders who validly tender after the Early Tender Time but by the Expiration Time \$1,042.50 principal amount of Additional Senior Notes per \$1,000 principal amount of Senior Secured Notes, in each case adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes issued, to but not including the applicable settlement date. For more information on how the Total Consideration and the Offer Consideration will be calculated, see “—Consideration.”

If the acceptance of all validly tendered Senior Secured Notes would cause us to issue a principal amount of Additional Senior Notes greater than the Tender Cap, then the Offer will be oversubscribed and, if we accept Senior Secured Notes in the Offer, we will accept for exchange tendered Senior Secured Notes only on a prorated basis, with the aggregate principal amount of each Holder’s validly tendered Senior Secured Notes accepted for exchange determined by multiplying each Holder’s tender by the applicable proration factor, and rounding the product down to the nearest \$1,000 to avoid exchanges of Senior Secured Notes in principal amounts other than integral multiples of \$1,000. Senior Secured Notes not exchanged due to proration will be promptly returned or credited to the Holder’s account.

So long as the other terms and conditions described herein are satisfied and subject to the Tender Cap, we intend to accept for exchange all Senior Secured Notes validly tendered at or prior to the Early Tender Time, and will only prorate such Senior Secured Notes if the aggregate principal amount of Additional Senior Notes issuable upon exchange of Senior Secured Notes validly tendered and not withdrawn exceeds the Tender Cap. If the Offer is not fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes in the Offer after the Early Tender Time may be subject to proration, whereas Holders who validly tender Senior Secured Notes at or prior to the Early Tender Time will not be subject to proration. Furthermore,

if the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for payment.

HGI reserves the right, but is under no obligation, to increase the Tender Cap at any time, subject to compliance with applicable law, which could result in HGI exchanging a greater principal amount of Senior Secured Notes in the Offer. There can be no assurance that HGI will exercise its right to increase the Tender Cap. If HGI increases the Tender Cap, it does not expect to extend the Withdrawal Deadline, subject to applicable law. In addition, the completion of the Offer is subject to the satisfaction or waiver of a number of conditions as set forth in this Offering Memorandum. See “—Conditions of the Offer.” HGI has the right to terminate or withdraw the Offer at any time and for any reason, including if any of the conditions described under the “—Conditions of the Offer” are not satisfied.

HGI will announce the results of proration by press release promptly after the Early Tender Time or the Expiration Time, as the case may be. All Senior Secured Notes not accepted as a result of proration will be rejected from the Offer and will be returned to tendering Holder’s at HGI’s expense promptly following the earlier of the Expiration Time or the date on which the Offer is terminated.

The Offer is being made to you in reliance on an exemption from registration provided by Section 3(a)(9) of the Securities Act. The Additional Senior Notes to be issued in the Offer have not been and will not be registered with the SEC. However, the Additional Senior Notes that you receive in the Offer are expected to be freely tradable, except by persons who are considered to be our affiliates, as that term is defined in the Securities Act.

Tendered Senior Secured Notes may not be withdrawn subsequent to the Withdrawal Deadline, subject to limited exceptions. If, after the Withdrawal Deadline, HGI is required by law to permit withdrawals, then previously tendered Senior Secured Notes may be validly withdrawn within a reasonable period under the circumstances after the date that notice of such reduction or permitted withdrawal is first published or given or sent to Holders by HGI.

In the event of a termination of the Offer, the Senior Secured Indenture Amendments will not become operative, no Total Consideration or Offer Consideration will be paid, and the Senior Secured Notes tendered pursuant to the Offer will be promptly returned to the tendering Holders.

All Senior Secured Notes properly tendered in accordance with the procedures set forth under “—Procedures for Tendering Notes” and not properly withdrawn in accordance with the procedures set forth under “—Withdrawal of Tenders” prior to the Withdrawal Deadline, will, upon the terms and subject to the conditions hereof and subject to the Tender Cap and any required proration, be accepted by HGI.

From time to time after the Expiration Time, HGI or its affiliates may acquire any Senior Secured Notes that are not tendered and accepted in the Offer or any Senior Notes through open market purchases, privately negotiated transactions, tender offers, exchange offer, redemption or otherwise, upon such terms and at such prices as HGI may determine (or as may be provided for in the Senior Secured Indenture or the Senior Indenture), which with respect to the Senior Secured

Notes may be more or less than the consideration to be received by participating Holders in the Offer and, in either case, could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives or combinations thereof HGI or its affiliates may choose to pursue in the future.

Consideration

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, eligible Holders who validly tender Senior Secured Notes at or prior to 5:00 pm, New York City time, on May 28, 2014 and do not validly withdraw their tender prior to the Withdrawal Deadline will receive the Total Consideration (which includes the Early Tender Payment) for Senior Secured Notes accepted in the Offer. Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, eligible Holders who validly tender Senior Secured Notes after 5:00 pm, New York City time, on May 28, 2014 and at or prior to 11:59 pm, New York City time, at the end of June 11, 2014 will receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration for Senior Secured Notes accepted in the Offer. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.

The “*Total Consideration*” means, for each \$1,000 principal amount of Senior Secured Notes tendered and accepted by us, Additional Senior Notes in the principal amount of:

\$1,000*	<p>\$1,092.50 (plus accrued and unpaid interest on \$1,000 principal amount of Senior Secured Notes from January 15, 2014 to but not including the Early Settlement Date)</p> <hr style="width: 100%;"/> <p>\$1,000 (plus accrued and unpaid interest on \$1,000 principal amount of Additional Senior Notes from January 21, 2014 to but not including the Early Settlement Date)</p>
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The “*Offer Consideration*” means, for each \$1,000 principal amount of Senior Secured Notes tendered and accepted by us, Additional Senior Notes in the principal amount of:

\$1,000*	<p>\$1,042.50 (plus accrued and unpaid interest on \$1,000 principal amount of Senior Secured Notes from January 15, 2014 to but not including the Final Settlement Date)</p> <hr style="width: 100%;"/> <p>\$1,000 (plus accrued and unpaid interest on \$1,000 principal amount of Additional Senior Notes from January 21, 2014 to but not including the Final Settlement Date)</p>
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As illustrated above, the Total Consideration is based on \$1,092.50 principal amount of Additional Senior Notes (which includes the Early Tender Payment of \$50 principal amount of Additional Senior Notes) per \$1,000 principal amount of Senior Secured Notes and the Offer Consideration is based on \$1,042.50 principal amount of Additional Senior Notes per \$1,000 principal amount of Senior Secured Notes, in each case adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes issued, from, in the case of the Senior Secured Notes, January 15, 2014, and, in the case of the Additional Senior Notes, January 21, 2014 (the issue date of the Existing Senior Notes), to

but not including the applicable settlement date. The above ratio will be rounded to the nearest cent. For example, if the Early Settlement Date for the Offer is May 30, 2014, for each \$1,000 principal amount of Senior Secured Notes properly tendered prior to the Early Termination Date (and not withdrawn) and accepted by us, subject to the Tender Cap and any required proration, participating Holders will receive:

$$\begin{aligned} & \$1,091.71 \text{ principal amount of Additional Senior Notes} = \\ & \$1,000 * ((\$1,092.50 + \$29.53) / (\$1,000.00 + \$27.77)). \end{aligned}$$

HGI will not accept any tender that would result in the issuance of less than \$2,000 principal amount of Additional Senior Notes to a participating holder. The aggregate principal amount of Additional Senior Notes issued to each participating holder for all Senior Secured Notes properly tendered (and not withdrawn) and accepted by HGI will be rounded down, if necessary, to \$2,000 or the nearest whole multiple of \$1,000 in excess thereof. This rounded amount will be the principal amount of Additional Senior Notes you will receive, and no additional cash will be paid in lieu of any principal amount of Additional Senior Notes not received as a result of rounding down.

Accrued Interest

HGI will not be required to pay participating Holders accrued and unpaid interest on the Senior Secured Notes exchanged for Additional Senior Notes in cash, and participating Holders will not be required to pay HGI prefunded accrued interest on the Additional Senior Notes issued in exchange for Senior Secured Notes in cash. However, each of the Total Consideration and the Offer Consideration includes an adjustment to the principal amount of Additional Senior Notes issued per \$1,000 principal amount of Senior Secured Notes to give participating Holders the benefit of such accrued and unpaid interest and to give HGI the benefit of such prefunded accrued interest.

Under no circumstances will any special interest be payable because of any delay in the transmission of funds to any holder of Senior Secured Notes with respect to the Additional Senior Notes to be received in exchange for the Senior Secured Notes or otherwise.

Extension, Termination or Amendment

Subject to the applicable regulations of the SEC, HGI expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of whether any events preventing satisfaction of the conditions to the Offer shall have occurred or shall have been determined by HGI to have occurred, to extend the period during which the Offer is open by giving oral (to be confirmed in writing) or written notice of such extension to the Information and Exchange Agent and by making public disclosure by press release or other appropriate means of such extension to the extent required by law. During any extension of the Offer, all Senior Secured Notes previously tendered and not withdrawn will remain subject to the Offer, subject to the terms and conditions of the Offer, be accepted by HGI. See also “—Announcements.”

Any waiver, amendment or modification of the Offer will apply to all Senior Secured Notes tendered pursuant to the Offer. If HGI makes a change that it determines to be material in any of the terms of the Offer, or waives a condition of the Offer that HGI determines to be

material, HGI will give oral (to be confirmed in writing) or written notice of such amendment or such waiver to the Information and Exchange Agent and will disseminate additional Offer Documents and the Offer material and extend the Offer and withdrawal rights as it determines are necessary and to the extent required by law. Any such extension, amendment, waiver or decrease or change will not result in the reinstatement of any withdrawal or revocation rights if those rights had previously expired, except as specifically provided above.

HGI may terminate or withdraw at its sole discretion the Offer at any time and for any reason, including if any condition is not satisfied on or after the Expiration Time.

There can be no assurance that HGI will exercise their right to extend, terminate or amend the Offer. During any extension and irrespective of any amendment to the Offer, all Senior Secured Notes previously tendered and not withdrawn will remain subject to the Offer and may be accepted thereafter by HGI, subject to compliance with applicable law. In addition, HGI may waive conditions without extending the Offer in accordance with applicable law.

Announcements

Any extension, termination or amendment of the Offer will be followed as promptly as practicable by announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 am, New York City time, on the next business day following the previously scheduled Expiration Time. Without limiting the manner in which HGI may choose to make such announcement, it will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to an appropriate news agency or another means of announcement that HGI deems appropriate. See also “—Extension, Termination or Amendment.”

Acceptance Of Notes

Upon the terms and subject to the conditions of the Offer (including if the Offer is terminated, extended or amended, the terms and conditions of any such extension or amendment) and subject to the Tender Cap and any required proration, HGI will accept for exchange Senior Secured Notes validly tendered at or prior to the Early Tender Time and not validly withdrawn prior to the Withdrawal Deadline and, if the Offer is not fully subscribed as of the Early Tender Time, Senior Secured Notes validly tendered (and not validly withdrawn) at or prior to the Expiration Time, in each case, upon satisfaction or waiver of the conditions to the Offer specified under “—Conditions of the Offer.”

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, Holders who validly tender and do not validly withdraw their Senior Secured Notes by the Early Tender Time will receive on the Early Settlement Date the Total Consideration, if such Senior Secured Notes are accepted for exchange, and Holders who validly tender their Senior Secured Notes after the Early Tender Time but by the Expiration Time will receive on the Final Settlement Date the Offer Consideration, if such Senior Secured Notes are accepted for exchange. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.

HGI expressly reserves its right, in its sole discretion, to delay acceptance for exchange of Senior Secured Notes tendered under the Offer (subject to Rule 14e-1(c) under the Exchange Act, which requires that HGI issue the Total Consideration or Offer Consideration, as applicable, or return the Senior Secured Notes deposited pursuant to the Offer promptly after termination or withdrawal of the Offer), or to terminate the Offer and not accept any Senior Secured Notes not previously accepted, (1) if any of the conditions to the Offer shall not have been satisfied or validly waived by HGI or (2) in order to comply in whole or in part with any applicable law.

In all cases, the Total Consideration or Offer Consideration, as applicable, for Senior Secured Notes tendered pursuant to the Offer will be made only after timely receipt by the Information and Exchange Agent of (1) certificates representing the Senior Secured Notes, or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of the Senior Secured Notes into the Information and Exchange Agent's account at DTC, (2) the properly completed and duly executed Letter of Transmittal (or a facsimile thereof) or an Agent's Message in lieu thereof, and (3) any other documents required by the Letter of Transmittal. The Offer is scheduled to expire on the Expiration Time, unless extended or earlier terminated by HGI, at its sole discretion.

For purposes of the Offer, HGI will have accepted properly tendered (and not withdrawn) Senior Secured Notes, if, as and when HGI gives oral or written notice to the Information and Exchange Agent of its acceptance of the Senior Secured Notes for exchange pursuant to the Offer. In all cases, exchange of, and payment for, Senior Secured Notes pursuant to the Offer will be made by the deposit of any Total Consideration or Offer Consideration, as applicable, with the Information and Exchange Agent, which will act as your agent for the purposes of receiving Additional Senior Notes from HGI, and delivering Additional Senior Notes to you. If, for any reason whatsoever, acceptance for exchange of any Senior Secured Notes tendered pursuant to the Offer is delayed (whether before or after HGI's acceptance of the Senior Secured Notes) or HGI extends the Offer or are unable to accept the Senior Secured Notes tendered pursuant to the Offer, then, without prejudice to HGI's rights set forth herein, it may instruct the Information and Exchange Agent to retain tendered Senior Secured Notes, and those Senior Secured Notes may not be withdrawn, subject to the limited circumstances described in "—Withdrawal of Tenders" below.

Senior Secured Notes to be tendered may be delivered only in principal amounts equal to minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted. Holders who tender less than all of their Senior Secured Notes must continue to hold Senior Secured Notes in the Minimum Authorized Denomination of \$2,000 principal amount. HGI will not accept any tender that would result in the issuance of less than \$2,000 principal amount of Additional Senior Notes to a participating holder.

Any tender of Senior Secured Notes, the proration of which would otherwise result in a return of Senior Secured Notes to a tendering Holder in a principal amount below the minimum denomination of the Senior Secured Notes, may be rejected or accepted at HGI's sole discretion.

HGI will pay or cause to be paid all transfer taxes with respect to the tender of any Senior Secured Notes unless the box titled "Special Payment or Issuance Instructions" or the box titled "Special Delivery Instructions" on the Letter of Transmittal has been completed, as described in the Instructions thereto.

Procedures For Tendering Notes

General

In order to participate in the Offer, you must properly tender your Senior Secured Notes to the Information and Exchange Agent as further described below. It is your responsibility to properly tender your Senior Secured Notes. HGI has the right to waive any defects. However, HGI is not required to waive defects and is not required to notify you of defects in your tender.

If you have any questions or need help in tendering your Senior Secured Notes, please contact the Information and Exchange Agent whose addresses and telephone numbers are listed on the back cover of this Offering Memorandum.

Valid Tender of Senior Secured Notes

Except as set forth below with respect to ATOP (as defined under “—Tender of Senior Secured Notes through ATOP” below) procedures, for a holder to properly tender Senior Secured Notes pursuant to the Offer, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) together with any signature guarantees and any other documents required by the Instructions to the Letter of Transmittal, or an Agent’s Message in lieu thereof, must be received by the Information and Exchange Agent at the address or facsimile number set forth on the back cover of this Offering Memorandum prior to the Expiration Time (or the Early Tender Time, if the Holder desires), and either (1) certificates representing the Senior Secured Notes must be received by the Information and Exchange Agent at such address, or (2) the Senior Secured Notes must be transferred pursuant to the procedures for book-entry transfer described below and a Book-Entry Confirmation must be received by the Information and Exchange Agent, in each case at or prior to the Expiration Time (or the Early Tender Time, if the Holder desires).

In all cases, exchange of Senior Secured Notes tendered and accepted pursuant to the Offer will be made only after timely receipt by the Information and Exchange Agent of:

- certificates representing such Senior Secured Notes or a Book-Entry Confirmation with respect to such Senior Secured Notes;
- the Letter of Transmittal (or a facsimile thereof) properly completed and duly executed, or an Agent’s Message in lieu thereof; and
- any required signature guarantees and other documents required by the Letter of Transmittal.

Tender of and/or Delivery of Senior Secured Notes Held in Physical Form.

HGI does not believe any Senior Secured Notes exist in physical form. If you believe you hold Senior Secured Notes in physical form, please contact the Information and Exchange Agent regarding procedures for participating in the Offer.

Tendering With Respect to Senior Secured Notes Held through a Custodian.

Any Holder whose Senior Secured Notes are held by a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Senior Secured Notes should contact such custodial entity promptly and instruct such custodial entity to tender the Senior Secured Notes on such Holder's behalf.

Book-Entry Transfer.

The Information and Exchange Agent has or will establish an account with respect to the Senior Secured Notes at DTC for purposes of the Offer, and any financial institution that is a participant in the DTC system and whose name appears on a security position listing as the record owner of the Senior Secured Notes may make book-entry delivery of Senior Secured Notes by causing DTC to transfer the Senior Secured Notes into the Information and Exchange Agent's account at DTC in accordance with DTC's procedure for transfer. Although delivery of Senior Secured Notes may be effected through book-entry transfer into the Information and Exchange Agent's account at DTC, either an Agent's Message or a Letter of Transmittal (or a facsimile thereof) properly completed and duly executed, along with any required signature guarantees and any other required documents, must be transmitted to and received by the Information and Exchange Agent at one of the addresses set forth on the back cover of this Offering Memorandum on or prior to the Expiration Time (or the Early Tender Time, if the Holder desires).

Tender of Senior Secured Notes through ATOP

In lieu of physically completing and signing the Letter of Transmittal and delivering it to the Information and Exchange Agent, DTC participants may electronically transmit their acceptance of the Offer through DTC's Automated Tender Offer Program ("*ATOP*"), for which the transaction will be eligible. In accordance with *ATOP* procedures, DTC will then verify the acceptance of the Offer and send an Agent's Message to the Information and Exchange Agent for its acceptance.

An "Agent's Message" is a message transmitted by DTC, received by the Information and Exchange Agent and forming part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgement from you that you have received the Offer Documents and agree to be bound by the terms of the Letter of Transmittal, and that HGI may enforce such agreement against you.

If a holder of Senior Secured Notes transmits its acceptance through *ATOP*, delivery of such tendered Senior Secured Notes must be made to the Information and Exchange Agent (either physically or pursuant to the book-entry delivery procedures set forth herein). Unless such holder delivers (either physically or by book-entry delivery) the Senior Secured Notes being tendered to the Information and Exchange Agent, HGI may, at its option, treat such tender as defective for purposes of delivery of acceptance for exchange and for the right to receive Additional Senior Notes. Delivery of documents to DTC (physically or by electronic means) does not constitute delivery to the Information and Exchange Agent. If you desire to tender your Senior Secured Notes on the day that the Early Tender Time or the Expiration Time occurs, you must allow sufficient time for completion of the *ATOP* procedures during the normal business hours of DTC on such date. HGI will have the right, which may be waived, to reject the defective tender of Senior Secured Notes as invalid and ineffective.

HGI is not offering a guaranteed delivery procedure in connection with the or under any of the Offer Documents or other Offer materials provided therewith; consequently, if a Holder is unable to complete the above procedures for tendering Senior Secured Notes by the Expiration Time, such Holder will not be able to tender Senior Secured Notes in the Offer. Holders must timely tender their Senior Secured Notes in accordance with the procedures set forth in the Offer Documents.

Effect of Letter of Transmittal

Subject to and effective upon the acceptance of and the exchange of the Senior Secured Notes tendered thereby, by executing and delivering a Letter of Transmittal, a tendering Holder (1) irrevocably sells, assigns and transfers to or upon the order of HGI all right, title and interest in and to all the Senior Secured Notes tendered thereby; and (2) irrevocably appoints the Information and Exchange Agent as its true and lawful agent and attorney-in-fact (with full knowledge that the Information and Exchange Agent also acts as HGI's agent with respect to the tendered Senior Secured Notes, with full power coupled with an interest) to:

- deliver certificates representing the Senior Secured Notes, or transfer ownership of the Senior Secured Notes on the account books maintained by DTC, together with all accompanying evidences of transfer and authenticity, to or upon HGI's order, as applicable;
- present the Senior Secured Notes for transfer on the relevant security register; and
- receive all benefits or otherwise exercise all rights of beneficial ownership of the Senior Secured Notes (except that the Information and Exchange Agent will have no rights to or control over, HGI's funds), all in accordance with the terms of the Offer.

Signature Guarantees

Signatures on all Letters of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange, Inc. Medallion Signature Program or the Stock Exchange Medallion Program (each, a "*Medallion Signature Guarantor*"), unless the Senior Secured Notes tendered thereby are tendered (i) by a holder of Senior Secured Notes (or by a participant in DTC whose name appears on a security position listing as the owner of such Senior Secured Notes) who has not completed either the box entitled "Special Payment or Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of a member firm of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "*Eligible Institution*"). If the Senior Secured Notes are registered in the name of a person other than the signer of the Letter of Transmittal or if Senior Secured Notes not tendered are to be returned to a person other than the registered holder, then the signatures on the Letters of Transmittal accompanying the tendered Senior Secured Notes must be guaranteed by a Medallion Signature Guarantor as described above.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered Senior Secured Notes pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by HGI in its sole discretion, which determination will be final and binding. HGI reserves the absolute right to reject any or all tenders of any Senior Secured Notes determined by it not to be in proper form, or if the acceptance of or exchange of such Senior Secured Notes may, in the opinion of HGI's counsel, be unlawful. HGI also reserves the right to waive any conditions to the Senior Secured Notes that it is legally permitted to waive.

Your tender of Senior Secured Notes will not be deemed to have been validly made until all defects or irregularities in your tender have been cured or waived. All questions as to the form and validity (including time of receipt) of any delivery or withdrawal of a tender will be determined by HGI in its sole discretion, which determination shall be final and binding. None of HGI, the Financial Advisor, the Information and Exchange Agent, the Information Agent, if any, or any other person or entity is under any duty to give notification of any defects or irregularities in any tender or withdrawal of any Senior Secured Notes, or will incur any liability for failure to give any such notification.

***PLEASE SEND ALL MATERIALS TO THE INFORMATION AND EXCHANGE AGENT
AND NOT TO THE COMPANY***

Withdrawal of Tenders

Tenders of Senior Secured Notes may be validly withdrawn at any time prior to the Withdrawal Deadline. Tendered Senior Secured Notes may not be withdrawn subsequent to the Withdrawal Deadline. If, after the Withdrawal Deadline, HGI (i) reduces the principal amount of Senior Secured Notes subject to the Offer, (ii) reduces the Offer Consideration or (iii) are otherwise required by law to permit withdrawals, then previously tendered Senior Secured Notes may be validly withdrawn within a reasonable period under the circumstances after the date that notice of such reduction or permitted withdrawal is first published or given or sent to Holders Notes by HGI. HGI may extend the Early Tender Time or the Expiration Time without extending the Withdrawal Deadline, unless otherwise required by law.

In the event of a termination of the Offer, the Senior Secured Indenture Amendments will not become operative, no Total Consideration or Offer Consideration will be paid, and the Senior Secured Notes tendered pursuant to the Offer will be promptly returned to the tendering Holders.

Senior Secured Notes validly withdrawn may thereafter be retendered and at any time at or prior to the Expiration Time by following the procedures described herein; provided, however, that if a Holder's Senior Secured Notes are not properly retendered pursuant to the Offer at or prior to the Early Tender Time, such Holder will not be deemed to have tendered prior to the Early Tender Time with respect to any required proration.

Subject to applicable regulations of the SEC, if, for any reason whatsoever, acceptance for exchange of, or exchange of, any Senior Secured Notes tendered pursuant to the Offer is delayed (whether before or after HGI's acceptance for exchange of Senior Secured Notes) or HGI extends the Offer, or is unable to accept for exchange, or exchange the Senior Secured Notes tendered pursuant to the Offer, HGI may instruct the Information and Exchange Agent to retain tendered Senior Secured Notes, and those Senior Secured Notes may not be withdrawn, except to the extent that you are entitled to the withdrawal and revocation rights set forth herein.

To be effective, a written or facsimile transmission notice of withdrawal of a tender or a properly transmitted "Request Message" through DTC's ATOP system for a withdrawal of a tender must:

- be received by the Information and Exchange Agent at one of the addresses specified on the back cover of this Offering Memorandum prior to the Withdrawal Deadline;
- specify the name of the Holder of the Senior Secured Notes to be withdrawn;
- contain the description of the Senior Secured Notes to be withdrawn or revoked, as applicable, the certificate numbers shown on the particular certificates representing such Senior Secured Notes (or, in the case of Senior Secured Notes tendered by book-entry transfer, the number of the account at DTC from which the Senior Secured Notes were tendered and the name and number of the account at DTC to be credited with the Senior Secured Notes withdrawn) and the aggregate principal amount represented by such Senior Secured Notes; and
- be signed by the holder of the Senior Secured Notes in the same manner as the original signature on the Letter of Transmittal or be accompanied by documents of transfer sufficient to have the trustee register the transfer of the Senior Secured Notes into the name of the person withdrawing the Senior Secured Notes.

If the Senior Secured Notes to be withdrawn have been delivered or otherwise identified to the Information and Exchange Agent, a signed notice of withdrawal or revocation, as applicable, is effective immediately upon receipt by the Information and Exchange Agent of written or facsimile transmission of the notice of withdrawal (or receipt of a Request Message) even if physical release is not yet effected. A withdrawal of Senior Secured Notes can only be accomplished in accordance with the foregoing procedures.

If you withdraw Senior Secured Notes, you will have the right to re-tender them on or prior to the Expiration Time (or the Early Tender Time, if the Holder desires) in accordance with the procedures described above for tendering Senior Secured Notes. If HGI amends or modifies the terms of the Offer, or the information concerning the Offer in a manner determined by HGI to constitute a material change to Holders, HGI will disseminate additional Offer materials and extend the period of the Offer, including any withdrawal or revocation rights, to the extent required by law and as HGI determines necessary. An extension of the Early Tender Time will not affect a Holder's withdrawal rights unless otherwise provided herein or in any additional Offer materials or as required by applicable law.

Conditions of the Offer

The Offer is subject to the satisfaction or waiver of the conditions as described below. In addition, HGI has the right to terminate or withdraw the Offer at any time and for any reason, including if any of the conditions described below are not satisfied. HGI also has the right to waive any condition precedent to the Offer, at its sole and absolute discretion.

Notwithstanding any other provisions of the Offer, HGI will not be required to accept for exchange or to exchange Senior Secured Notes properly tendered (and not withdrawn) pursuant to the Offer, and may, in its sole discretion, terminate, amend or extend the Offer or delay or refrain from accepting for exchange or exchanging the Senior Secured Notes for any reason, including if the General Conditions shall not have been satisfied or waived.

The “General Conditions” mean that any of the following shall occur:

- there shall have been instituted, threatened or be pending any action, proceeding, application, claim counterclaim or investigation (whether formal or informal) (or there shall have been any material adverse development to any action, application, claim, counterclaim or proceeding currently instituted, threatened or pending) before or by any court, governmental, regulatory or administrative agency or instrumentally, domestic or foreign, or by any other person, domestic or foreign, in connection with the Offer that, in HGI’s sole judgment, either (a) is, or is reasonably likely to be, materially adverse to the HGI’s business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (b) would or might prohibit, prevent, restrict or delay consummation of the Offer or (c) would materially impair the contemplated benefits of the Offer to HGI or be material to Holders in deciding whether to accept the Offer;
- an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in HGI’s sole judgment, either (a) would or might prohibit, prevent, restrict or delay consummation of the Offer or (b) is, or is reasonably likely to be, materially adverse to HGI’s business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects;
- there shall have occurred or be likely to occur any event or condition affecting HGI’s business or financial affairs that, in its sole judgment, either (a) is, or is reasonably likely to be, materially adverse to HGI’s business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (b) would or might prohibit, prevent, restrict or delay consummation of the Offer or (c) would materially impair the contemplated benefits of the Offer;
- there exists, in HGI’s sole judgment, any actual or threatened legal impediment to the acceptance for exchange of, or exchange of, the Senior Secured Notes; or
- there has occurred (a) any general suspension of, or limitation on prices for, trading in securities in the United States securities or financial markets, (b) any significant

adverse change in the price of the Senior Notes in the United States or other major securities or financial markets, (c) a material impairment in the trading market for debt securities, (d) a declaration of a banking moratorium or any suspension of payments in respect to banks in the United States or other major financial markets, (e) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in HGI's reasonable judgment, might affect the extension of credit by banks or other lending institutions, (f) a commencement of a war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving the United States or (g) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

In addition, HGI's obligation to transfer any Total Consideration or Offer Consideration is conditioned upon the HGI's acceptance of Senior Secured Notes for exchange.

These conditions are for HGI's benefit and may be asserted by it or may be waived by it, including any action or inaction by HGI giving rise to any condition, in whole or in part at any time and from time to time, in their sole discretion. HGI may additionally terminate the Offer if any condition is not satisfied on or after the Expiration Time. Under the Offer, if any of these events occur, subject to the termination rights described above, HGI may (i) return Senior Secured Notes tendered thereunder to you, (ii) extend the Offer and retain all tendered Senior Secured Notes until the expiration of the extended Offer, or (iii) amend the Offer in any respect by giving oral or written notice of such amendment to the Information and Exchange Agent and making public disclosure of such amendment to the extent required by law.

HGI has not made a decision as to what circumstances would lead it to waive any such condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Although HGI has no present plans or arrangements to do so, it reserves the right to amend, at any time, the terms of the Offer. HGI will give Holders notice of such amendments as may be required by applicable law.

In the event of a termination of the Offer, the Amendments will not become operative, no Total Consideration or Offer Consideration will be paid, and the Senior Secured Notes tendered pursuant to the Offer will be promptly returned to the tendering Holders.

Information and Exchange Agent

HGI has appointed D.F. King & Co., Inc. as Information and Exchange Agent for the Offer. All requests for additional copies of this prospectus or the letter of transmittal should be directed to the Information and Exchange Agent at its address and telephone numbers set forth on the back cover page of this Offering Memorandum

Financial Advisor

HGI has retained Credit Suisse as its exclusive financial advisor in connection with the Offer. HGI is paying Credit Suisse customary fees for its services and has agreed to indemnify it for certain liabilities. Credit Suisse's compensation is in no way contingent on the results or the success of the Offer. Credit Suisse has not been retained to, and will not, solicit acceptances of the Offer or make any recommendation with respect thereto.

Fees and Expenses

HGI will bear the expenses of soliciting tenders in the Offer, including fees and expenses of the Information and Exchange Agent and trustee and accounting, legal, printing and related fees and expenses.

HGI will not make any payments to brokers, dealers or other persons soliciting acceptances of the Offer. However, HGI will pay the Information and Exchange Agent reasonable and customary fees for its services and will reimburse the Information and Exchange Agent for its reasonable out-of-pocket expenses in connection with the Offer. HGI will also pay brokerage houses and other custodians, nominees and fiduciaries their reasonable out-of-pocket expenses for forwarding copies of the prospectus, letters of transmittal and related documents to the beneficial owners of the initial notes and for handling or forwarding tenders for exchange to their customers.

HGI will pay or cause to be paid all transfer taxes with respect to the tender of any Senior Secured Notes unless the box titled "Special Payment or Issuance Instructions" or the box titled "Special Delivery Instructions" on the Letter of Transmittal has been completed, as described in the Instructions thereto. However, tendering Holders will pay the amount of any transfer taxes, whether imposed on the registered holder or any other persons, if:

- certificates representing Senior Secured Notes or Additional Senior Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the notes tendered;
- tendered initial notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is payable for any reason other than the exchange of the Additional Senior Notes in the Offer.

If you do not submit satisfactory evidence of the payment of any of these taxes or of any exemption from this payment with the Letter of Transmittal, we will bill you directly the amount of these transfer taxes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain material U.S. federal income tax considerations to U.S. Holders and non-U.S. Holders (each as defined below and collectively referred to as “Holders”) relating to the exchange of Senior Secured Notes for Additional Senior Notes (together, the “Notes”) pursuant to the Offer (the “Exchange”) and the ownership and disposition of the Additional Senior Notes acquired in the Offer. This discussion does not address state, local or non-U.S. tax considerations, nor does it consider all aspects of federal income taxation which may be relevant to particular Holders in light of their individual investment circumstances or to certain types of Holders subject to special tax rules. For example, this discussion does not address the tax considerations relevant to beneficial owners of the Senior Secured Notes who are financial institutions, insurance companies, real estate investment trusts, regulated investment companies, tax-exempt organizations, dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, Holders that hold Senior Secured Notes as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, U.S. Holders that have a functional currency other than the U.S. dollar, or Non-U.S. Holders that are U.S. expatriates, “controlled foreign corporations,” or “passive foreign investment companies.” Moreover, this discussion does not address the U.S. federal estate and gift tax, alternative minimum tax or other tax considerations of the Offer. This discussion assumes that Holders have held and will hold their Notes as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This summary is based upon the provisions of the Code, U.S. Treasury regulations promulgated under the Code (the “Treasury Regulations”), administrative rulings and judicial decisions as of the date hereof. These authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences significantly different from those set forth below.

As used in this summary, a “U.S. Holder” means any beneficial owner of the Notes that is, for U.S. federal income tax purposes: (i) a U.S. citizen or a resident alien for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust which (a) is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have authority to control all substantial decisions, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A “Non-U.S. Holder” is a beneficial owner of the Notes that is not a U.S. Holder and that is, for U.S. federal income tax purposes, an individual, corporation (or other entity taxable as a corporation for U.S. federal income tax purposes), estate or trust.

If a pass-through entity, including a partnership or other entity classified as a partnership for U.S. federal income tax purposes, is a beneficial owner of the Notes, the U.S. federal income tax treatment of an owner or partner generally will depend upon the status of such owner or partner and upon the activities of the pass-through entity. Owners or partners of a pass-through entity that is a beneficial owner of the Notes should consult their own tax advisors as to the federal income, state, local and non-U.S. tax consequences of the Exchange and the ownership and disposition of the Additional Senior Notes acquired in the Offer.

This summary is for general information only and is not intended to be, nor should it be construed as, legal or U.S. federal income tax advice with respect to any Holder and no opinion or representation with respect to the U.S. federal income tax consequences to any such Holder is made. Holders should consult their own tax advisors regarding the U.S. federal income, state, local and non-U.S. tax consequences of the Exchange and the ownership and disposition of the Additional Senior Notes acquired in the Offer.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE USED OR RELIED UPON, AND CANNOT BE USED OR RELIED UPON BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE CODE; (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Tax Consequences to Participating U.S. Holders

Significant Modification.

The U.S. federal income tax consequences of exchanging Senior Secured Notes for Additional Senior Notes pursuant to the Offer will depend in part on whether the Exchange constitutes a “significant modification” of the Senior Secured Notes. Generally, the modification of a debt instrument (including a change in the yield, an addition, deletion or alteration of a put option, a call option or a conversion right) will be treated as a “deemed exchange” of an “old” debt instrument for a “new” debt instrument for U.S. federal income tax purposes if such modification is “significant” within the meaning of the Treasury Regulations promulgated under Section 1001 of the Code (the “Debt Modification Regulations”). Such a deemed exchange would be taxable unless a non-recognition provision of the Code were to apply. Under the Debt Modification Regulations, the modification of a debt instrument is generally “significant” if, based on all the facts and circumstances and taking into account all modifications of the debt instrument collectively, the legal rights or obligations that are altered and the degree to which they are altered are “economically significant.” The Debt Modification Regulations provide that a change in the yield of certain debt instruments generally constitutes a significant modification if the yield of the modified debt instrument varies from the yield of the unmodified debt instrument by more than the greater of (a) 25 basis points or (b) 5 percent of the annual yield of the unmodified debt instrument (the “Yield Threshold”). The Debt Modification Regulations identify certain modifications as not “significant,” such as: (i) a modification that adds, deletes or alters customary accounting or financial covenants, or (ii) a change to the maturity date of notes, if the final payment under the notes is made within the lesser of 5 years or a period of time that is 50 percent of the original term of the notes.

Based on the increase in principal amount of the Additional Senior Notes to be received in the Exchange, we expect that the yield of the Additional Senior Notes (taking into account the increase in principal amount) will exceed the yield of the Senior Secured Notes by more than the Yield Threshold. Accordingly, the Exchange will constitute a significant modification of the Senior Secured Notes, and therefore participating U.S. Holders will realize gain or loss on the Exchange as described in “Gain or Loss Realization,” below. Furthermore, participating U.S. Holders will generally be required to include such realized gain or loss in gross income, unless the Exchange qualifies as a tax-free recapitalization under Section 368(a)(1)(E) of the Code, as described in “Recapitalization Treatment,” below.

Early Tender Payment.

A U.S. Holder that tenders before the Early Tender Time will receive the Early Tender Payment. The U.S. federal income tax treatment of the receipt of the Early Tender Payment is unclear, because there are no authorities that directly address the treatment of such payments. Under the Code, any amount received on retirement of a debt instrument is generally treated as being received in exchange for the debt instrument. We intend to take the position, and the remainder of this discussion assumes, that the Early Tender Payment is treated as additional consideration for the Senior Secured Notes, in which case, that payment would be treated as part of the total consideration received in exchange for the Senior Secured Notes and treated as described below. It is possible, however, that the Early Tender Payment may be treated as interest or a separate fee that would be subject to tax as ordinary income rather than additional consideration for the Senior Secured Notes. U.S. Holders should consult their tax advisors as to the proper treatment of the Early Tender Payment.

Gain or Loss Realization.

A participating U.S. Holder will realize gain or loss on the Exchange in an amount equal to (i) the “issue price” of the Additional Senior Notes received in the Exchange (except to the extent received in respect of accrued and unpaid interest on the Senior Secured Notes, which will be taxable as described in “Accrued Interest,” below) minus (ii) such participating U.S. Holder’s adjusted tax basis in the Senior Secured Notes surrendered in the Exchange. The participating U.S. Holder’s adjusted tax basis in the Senior Secured Notes surrendered in the Exchange will be equal to the amount paid therefor, increased by any market discount previously taken into account and reduced (but not below zero) by (a) payments of any amounts treated as a return of pre-acquisition accrued interest with respect to the Senior Secured Notes and (b) any amortizable bond premium previously taken into account. The participating U.S. Holder will be required to include such realized gain or loss in gross income to the extent described in “Recapitalization Treatment,” below.

Issue Price of the Additional Senior Notes.

The Additional Senior Notes will constitute “additional notes” under the Senior Indenture governing the Existing Senior Notes. The Additional Senior Notes will vote together with the Existing Senior Notes as a single class under the Senior Indenture and will have the same terms as those of the Existing Senior Notes. The Existing Senior Notes were issued without original issue discount. Based on our expectations regarding the “issue price” of the

Additional Senior Notes (determined, for this purpose, in accordance with the following paragraph), and our belief that the Existing Senior Notes are “publicly traded” (as defined in the Treasury Regulations), we expect, and except where otherwise noted, the remainder of this discussion assumes, that the Additional Senior Notes will be fungible with the Existing Senior Notes for U.S. federal income tax purposes and the issue price of the Additional Senior Notes will be the same as the issue price of the Existing Senior Notes.

If the Additional Senior Notes were not treated as fungible with the Existing Senior Notes for U.S. federal income tax purposes, the issue price of the Additional Senior Notes would depend on whether the Additional Senior Notes or the Senior Secured Notes are deemed to be “publicly traded.” If the Additional Senior Notes are considered to be “publicly traded” property, as defined in the Treasury Regulations, the issue price of the Additional Senior Notes would be equal to their fair market value on the date of the Exchange. The Additional Senior Notes and the Senior Secured Notes will generally be considered to be publicly traded property if, at any time during the 31-day period ending 15 days after the date of the Exchange, there is (within the meaning of the Treasury Regulations) (i) a sales price for such notes, (ii) one or more firm quotes for such notes or (iii) one or more indicative quotes for such notes. We believe that the Senior Secured Notes are publicly traded within the meaning of applicable Treasury Regulations and that the Additional Senior Notes will likely be considered to be publicly traded for these purposes, and that the issue price of the Additional Senior Notes would be their fair market value on the date of the Exchange. We cannot be certain, however, that the IRS will agree with our position that the Senior Secured Notes are, and the Additional Senior Notes will be, publicly traded.

Recapitalization Treatment.

In order for the Exchange to qualify as a recapitalization, the Senior Secured Notes and Additional Senior Notes must both be treated as “securities” under the relevant provisions of the Code. The term “securities” is not defined in the Code or in applicable Treasury Regulations, and it has not been clearly defined by judicial decisions. The classification of a debt instrument as a security is a determination based on all facts and circumstances, including, but not limited to: (i) the term (i.e., duration) of the instrument, (ii) whether or not the instrument is secured, (iii) the degree of subordination of the debt instrument, (iv) the ratio of debt to equity of the issuer, and (v) the riskiness of the business of the issuer. Most authorities have held that the term to maturity of a debt instrument is one of the most significant factors in determining whether it qualifies as a security. A debt instrument with a term of more than ten years generally is treated as a security, whereas a debt instrument with a term of five years or less generally is not treated as a security. Because the term to maturity of both the Senior Secured Notes and the Additional Senior Notes exceeds five years, but is less than ten years, it is unclear whether they will qualify as “securities.” We intend to take the position that both the Senior Secured Notes and the Additional Senior Notes should be considered securities and the Exchange should qualify as a recapitalization.

Under such characterization, a participating U.S. Holder (i) will not recognize any loss on the Exchange and (ii) will not recognize any income on the Exchange, except (a) accrued but unpaid interest on the Senior Secured Notes, which should be taxable as ordinary interest income in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes

(see “Payment for Accrued but Unpaid Interest,” below) and (b) the fair market value of the excess of the “principal amount” of the Additional Senior Notes received by the U.S. Holder in the Exchange over the “principal amount” of the Senior Secured Notes surrendered in the Exchange (the “Excess Principal Amount”) (but only to the extent of gain realized by the participating U.S. Holder on the Exchange, as described in “Gain or Loss Realization,” above). Although the term “principal amount” is not defined in the Code or Treasury Regulations, we expect to apply the relevant tax rules as if the definition were the amount payable at maturity other than interest, rather than referring instead to issue price concepts.

A participating U.S. Holder will take an initial tax basis in the Additional Senior Notes received in the Exchange in an amount equal to (i) the participating U.S. Holder’s adjusted tax basis in the Senior Secured Notes surrendered in the Exchange as of immediately prior to the Exchange, plus (ii) the amount of gain recognized by the participating U.S. Holder on the Exchange (as described in the preceding paragraph), plus (iii) the issue price of the Additional Senior Notes received in respect of accrued but unpaid interest on the Senior Secured Notes. The participating U.S. Holder will have a split holding period in the Additional Senior Notes received in the Exchange. The portion of the Additional Senior Notes pertaining to the Excess Principal Amount or received in respect of accrued but unpaid interest on the Senior Secured Notes will have a holding period that starts on the day after the Exchange. The remaining portion of the Additional Senior Notes will have a holding period (or holding periods) that reflects the holding period (or holding periods) of the Senior Secured Notes surrendered in the Exchange.

Our position that the Exchange will qualify as a tax-free recapitalization is not free from doubt, however, and it is possible that the IRS might assert that either the Senior Secured Notes or the Additional Senior Notes are not “securities” for U.S. federal income tax purposes, or that the Exchange otherwise fails to qualify as a tax-free recapitalization for U.S. federal income tax purposes. If the Exchange failed to qualify for treatment as a tax-free recapitalization, (i) a participating U.S. Holder generally would be required to include in gross income any gain or loss realized on the Exchange (as described in “Gain or Loss Realization,” above), (ii) the participating U.S. Holder’s adjusted tax basis in the Additional Senior Notes would equal their issue price, (iii) the participating U.S. Holder’s holding period in the Additional Senior Notes would begin on the day after the Exchange, and (iv) any gain or loss recognized would be capital gain or loss (except, as described below, to the extent of market discount) and would be long-term capital gain or loss if the participating U.S. Holder’s holding period in the Senior Secured Notes at the time of the Exchange exceeds one year. Participating U.S. Holders are urged to consult their own tax advisors as to the amount and character of any gain or loss that they might recognize for U.S. federal income tax purposes if the Exchange were treated as a taxable exchange.

Market Discount.

If a participating U.S. Holder acquired Senior Secured Notes with market discount, any gain recognized by the participating U.S. Holder in the Exchange will be treated as ordinary income to the extent of the market discount accrued during the period that the participating U.S. Holder held the Senior Secured Notes, unless the participating U.S. Holder previously elected to include market discount in income as it accrued for U.S. federal income tax purposes. For these

purposes, market discount is generally the excess, if any, of the sum of all amounts payable on a Senior Secured Note (other than in respect of QSI (as defined in “Ownership of Additional Senior Notes by U.S. Holders—Interest,” below)), including pre-acquisition accrued interest, over the participating U.S. Holder’s initial tax basis in the Senior Secured Note, if such excess equals or exceeds a *de minimis* amount. If the Exchange qualifies as a recapitalization, any accrued market discount not recognized on the Exchange will carry over to the Additional Senior Notes. A participating U.S. Holder that acquired a Senior Secured Note other than at original issuance should consult its tax advisor regarding the possible application of the market discount rules of the Code to a tender of Senior Secured Notes in the Exchange.

Accrued Interest.

Regardless of whether the Exchange qualifies as a recapitalization, Additional Senior Notes received in respect of accrued and unpaid interest on the Senior Secured Notes will be taxed as ordinary interest income to the extent not previously included in gross income for U.S. federal income tax purposes.

Medicare Contribution Tax on Unearned Income.

A 3.8% Medicare tax will generally be imposed on the “net investment income” of U.S. Holders that are individuals, estates and trusts. Net investment income includes, among other things, interest income not derived from the conduct of a nonpassive trade or business. Gain or income recognized on the Exchange is expected to constitute net investment income.

Tax Consequences to Participating Non-U.S. Holders

The Exchange.

Subject to the discussion under “Early Tender Payment,” below, a Non-U.S. Holder generally will not recognize any income or gain that a U.S. Holder would be required to recognize on the Exchange unless:

- such gain is effectively connected with such Non-U.S. Holder’s conduct of a trade or business in the United States, in which case such Non-U.S. Holder will be subject to tax as described “Ownership of Additional Senior Notes by Non-U.S. Holders—Effectively Connected Income,” below; or
- such Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of the Exchange, and certain other conditions are met, in which case such Non-U.S. Holder will be subject to a 30% tax (or a lower applicable treaty rate) with respect to such gain (offset by certain U.S. source capital losses).

Any amount received by a Non-U.S. Holder that is attributable to accrued and unpaid interest on a Senior Secured Note generally will be taxable in the same manner as described in “Ownership of Additional Senior Notes by Non-U.S. Holders—Interest Payments,” below.

Early Tender Payment.

As discussed in “Tax Consequences to Participating U.S. Holders—Early Tender Payment,” above, there is uncertainty regarding whether the Early Tender Payment is part of the amount realized from the exchange of the Senior Secured Notes, or is instead interest or a separate fee. In the case of a Non-U.S. Holder, if the Early Tender Payment were treated as interest or a separate fee, that amount could be subject to U.S. federal withholding tax. We intend to take the position that the Early Tender Payment is not subject to U.S. federal withholding tax. An applicable withholding agent may, however, disagree with this position. Non-U.S. Holders should consult their tax advisors regarding the treatment of the Early Tender Payment.

Ownership of Additional Senior Notes by U.S. Holders

Payments upon Change of Control or Other Circumstances.

In certain circumstances we may be obligated to pay amounts in excess of stated interest or principal on the Additional Senior Notes, or to pay the full principal amount of some or all of the Additional Senior Notes before their stated maturity date. These features of the Additional Senior Notes may implicate the provisions of the Treasury Regulations governing “contingent payment debt instruments.” A debt instrument is not subject to these provisions, however, if, at the date of its issuance, there is only a “remote” chance that contingencies affecting the instrument’s yield to maturity will occur. We believe that the likelihood that we will be obligated to make such payments in amounts or at times that affect the Additional Senior Notes’ yield to maturity is remote, and we do not intend to treat the Additional Senior Notes as contingent payment debt instruments. Our determination that the contingencies giving rise to such payments are remote is binding on a U.S. Holder unless such U.S. Holder discloses its contrary position in the manner required by applicable Treasury Regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder might be required to accrue income on its notes in excess of stated interest and to treat as ordinary income rather than as capital gain any income realized on the taxable disposition of a note before the resolution of the contingencies. The remainder of this summary assumes that the Additional Senior Notes will not be subject to the Treasury Regulations governing contingent payment debt instruments.

Pre-Acquisition Accrued Interest.

A portion of the price paid for an Additional Senior Note may be allocable to interest that “accrued” prior to the date the Additional Senior Note is acquired, or “pre-acquisition accrued interest.” In that case, a portion of the first stated interest payment equal to the amount of pre-acquisition accrued interest should be treated as a nontaxable return of such pre-acquisition accrued interest to the U.S. Holder that reduces the U.S. Holder’s adjusted tax basis in the Additional Senior Note.

Interest.

Subject to the return of pre-acquisition accrued interest (see “Pre-Acquisition Accrued Interest,” above), qualified stated interest (“QSI”) on the Additional Senior Notes generally will

be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with such U.S. Holder's method of tax accounting. We expect the regular interest payments made on the Additional Senior Notes to be treated as QSI. Generally, an interest payment on a debt instrument is QSI if it is one of a series of stated interest payments on a debt instrument that are unconditionally payable at least annually at a single fixed rate, applied to the outstanding principal amount of the debt instrument.

Amortizable Bond Premium.

If a U.S. Holder's initial tax basis in an Additional Senior Note (as described in "Tax Consequences to Participating U.S. Holders," above) exceeds the sum of all amounts payable on the Additional Senior Note (other than in respect of QSI), including pre-acquisition accrued interest, the U.S. Holder may elect to treat the excess as amortizable bond premium. Because the Additional Senior Notes may be redeemed by us prior to maturity at a premium, special rules apply that may adversely affect the amount of premium that a U.S. Holder may amortize with respect to an Additional Senior Note. If a U.S. Holder makes this election, the U.S. Holder will reduce the amount required to be included in its income each year with respect to interest on its Additional Senior Note by the amount of amortizable bond premium allocable to that year based on a constant-yield method. A U.S. Holder may also make an election to include in income all interest that accrues on an Additional Senior Note (including QSI, as adjusted by any amortizable bond premium) in accordance with a constant-yield method based on the compounding of interest (a "constant-yield election"). The election to amortize bond premium (including a deemed election resulting from a constant-yield election), once made, is irrevocable without the consent of the IRS and applies to all taxable bonds held during the taxable year for which the election is made or subsequently acquired. If a U.S. Holder does not make either of these elections, it will be required to include in gross income the full amount of interest on the Additional Senior Note in accordance with its regular method of tax accounting, and will include the premium in its tax basis for the Additional Senior Note for purposes of computing the amount of its gain or loss recognized on the taxable disposition of the Additional Senior Note. U.S. Holders should consult their own tax advisors concerning the computation and amortization of any bond premium on an Additional Senior Note.

Market Discount.

If the Exchange qualifies as a tax-free recapitalization and a U.S. Holder's initial basis in an Additional Senior Note (as described in "Tax Consequences to Participating U.S. Holders," above) is less than the sum of all amounts payable on the Additional Senior Note (other than in respect of QSI), including pre-acquisition accrued interest, the amount of the difference will be treated as market discount for U.S. federal income tax purposes. The amount of any market discount will generally be disregarded if it is less than a *de minimis* amount.

Under the market discount rules, a U.S. Holder is required to treat any principal payment on, or any gain on the sale exchange, redemption or other disposition of, an Additional Senior Note as ordinary income to the extent of any market discount that has not previously been included in income. If a U.S. Holder disposes of an Additional Senior Note in a nontaxable transaction (other than certain specified nonrecognition transactions), the U.S. Holder will be required to include any accrued market discount as ordinary income as if the U.S. Holder had

sold the Additional Senior Note at its then fair market value. In addition, the U.S. Holder may be required to defer, until the maturity of the Additional Senior Note or its earlier disposition in a taxable transaction, the deduction of a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Additional Senior Note.

As described in “Tax Consequences to Participating U.S. Holders—Market Discount,” above, any accrued market discount with respect to a Senior Secured Note that is not recognized on the Exchange will carry over to the Additional Senior Note received in exchange therefor.

Sale or Other Taxable Disposition of the Additional Senior Notes.

A U.S. Holder will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of an Additional Senior Note equal to the difference, if any, between the amount realized upon the disposition (less any portion allocable to any accrued and unpaid interest, which will be taxable as ordinary income to the extent not previously included in such U.S. Holder’s income) and the U.S. Holder’s adjusted tax basis in the Additional Senior Note at the time of disposition. A U.S. Holder’s adjusted tax basis in an Additional Senior Note will generally be such U.S. Holder’s initial tax basis in the Additional Senior Note (as described in “Tax Consequences to Participating U.S. Holders,” above), increased by any market discount previously taken into account and reduced (but not below zero) by (i) payments of any amounts treated as a return of pre-acquisition accrued interest with respect to the Additional Senior Note and (ii) any amortized bond premium previously taken into account. This gain or loss will be a capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the Additional Senior Note for more than one year. Otherwise, such gain or loss will be a short-term capital gain or loss. Long-term capital gains of noncorporate U.S. Holders, including individuals, may be taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

Medicare Contribution Tax on Unearned Income.

As discussed in “Tax Consequences to Participating U.S. Holders—Medicare Contribution Tax on Unearned Income,” above, noncorporate U.S. Holders are generally subject to a 3.8% Medicare tax “net investment income.” Payments of interest on the Additional Senior Notes and gain from the sale or other taxable disposition of the Additional Senior Notes are expected to constitute net investment income.

Ownership of Additional Senior Notes by Non-U.S. Holders

Interest Payments.

Subject to the discussion below concerning effectively connected income and backup withholding, interest paid to a Non-U.S. Holder on an Additional Senior Note generally will not be subject to U.S. federal income tax or withholding tax, provided that such Non-U.S. Holder meets the following requirements:

- Such Non-U.S. Holder does not own, actually or constructively, for U.S. federal income tax purposes, stock constituting 10% or more of the total combined voting power of all classes of our stock entitled to vote.

- Such Non-U.S. Holder is not, for U.S. federal income tax purposes, a controlled foreign corporation related, directly or indirectly, to us through equity ownership.
- Such Non-U.S. Holder is not a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.
- Such Non-U.S. Holder provides a properly completed IRS Form W-8BEN certifying its non-U.S. status.

The gross amount of payments of interest that do not qualify for the exception from withholding described above will be subject to U.S. withholding tax at a rate of 30%, unless (i) such Non-U.S. Holder provides a properly completed IRS Form W-8BEN claiming an exemption from or reduction in withholding under an applicable tax treaty, or (ii) such interest is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business and such Non-U.S. Holder provides a properly completed IRS Form W-8ECI.

Sale or Other Taxable Disposition of the Additional Senior Notes.

Subject to the discussion in "Information Reporting and Backup Withholding—Non-U.S. Holders" below, a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on any gain recognized on the sale, exchange, redemption, retirement or other disposition of a note unless:

- such Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case such Non-U.S. Holder will be subject to a 30% tax (or a lower applicable treaty rate) with respect to such gain (offset by certain U.S. source capital losses), or
- such gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States, in which case such Non-U.S. Holder will be subject to tax as described below under "Effectively Connected Income."

Effectively Connected Income.

If interest or gain from a disposition of the Additional Senior Notes is effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business, such Non-U.S. Holder will generally be subject to U.S. federal income tax on the interest or gain on a net income basis in the same manner as if such Non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise. The interest or gain in respect of the Additional Senior Notes would be exempt from U.S. withholding tax if such Non-U.S. Holder claims the exemption by providing a properly completed IRS Form W-8ECI. In addition, if such Non-U.S. Holder is a foreign corporation, such Non-U.S. Holder may also be subject to a branch profits tax on its effectively connected earnings and profits for the taxable year, subject to certain adjustments, at a rate of 30% unless reduced or eliminated by an applicable tax treaty.

Information Reporting and Backup Withholding

U.S. Holders.

Information reporting requirements will generally apply to U.S. Holders that are not exempt recipients, such as corporations, with respect to the Exchange and certain payments of interest on the Additional Senior Notes and the proceeds of disposition (including a retirement or redemption of an Additional Senior Note). In addition, a U.S. Holder other than certain exempt recipients may be subject to “backup withholding” on the Exchange and the receipt of certain payments on the Additional Senior Notes if such U.S. Holder:

- fails to provide a correct taxpayer identification number (“TIN”), which for an individual is ordinarily his or her social security number,
- is notified by the IRS that it is subject to backup withholding,
- fails to certify, under penalties of perjury, that it has furnished a correct TIN and that the IRS has not notified the U.S. Holder that it is subject to backup withholding, or
- otherwise fails to comply with applicable requirements of the backup withholding rules.

U.S. Holders should consult their own tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. Backup withholding is not an additional tax and taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or may claim a refund as long as they timely provide certain information to the IRS.

Non-U.S. Holders.

Unless certain exceptions apply, we or another withholding agent must report to the IRS and to a Non-U.S. Holder any payments to such Non-U.S. Holder in respect of payments of interest during the taxable year. Under current U.S. federal income tax law, backup withholding will not apply to payments of interest by us or our paying agent on a note to a Non-United States Holder, if such Non-U.S. Holder provides us with a properly completed IRS Form W-8BEN or W-8ECI, provided that we or our paying agent, as the case may be, do not have actual knowledge or reason to know that such Non-U.S. Holder is a U.S. person.

Payments pursuant to the Offer or the sale, exchange or other disposition of Additional Senior Notes, made to or through a foreign office of a foreign broker, other than payments in respect of interest, generally will not be subject to information reporting and backup withholding. However, information reporting may apply if the foreign broker has certain connections to the United States, unless the Non-U.S. Holder certifies, under penalties of perjury, that it is not a U.S. person, or otherwise establishes an exemption. Payments made to or through a foreign office of a U.S. broker generally will not be subject to backup withholding, but generally are subject to information reporting unless the Non-U.S. Holder certifies, under penalties of perjury, that it is not a U.S. person, or otherwise establishes an exemption.

Payments to or through a U.S. office of a broker, however, generally are subject to information reporting and backup withholding, unless the Non-U.S. Holder certifies, under penalties of perjury, that it is not a U.S. person, or otherwise establishes an exemption.

Backup withholding is not an additional tax; any amounts withheld from a payment to a Non-U.S. Holder under the backup withholding rules will be allowed as a credit against such Non-U.S. Holder's U.S. federal income tax liability and may entitle such Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. Non-U.S. Holders should consult their own tax advisors regarding application of withholding and backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from withholding and backup withholding under current Treasury Regulations.

Tax Consequences to Non-Participating Holders

U.S. Holders.

The U.S. federal income tax consequences to a U.S. Holder of the adoption of the Amendments will depend in part upon whether the adoption of the Amendments results in a "significant modification" of the Senior Secured Notes and thus a deemed exchange of the Senior Secured Notes for new Senior Secured Notes with respect to which gain (but not loss) may be recognized. As discussed in "Tax Consequences to Participating U.S. Holders—Significant Modification," above, under applicable Treasury Regulations, the modification of a debt instrument is a "significant modification" if, based on all the facts and circumstances (and, subject to certain exceptions, taking into account all modifications of the debt instrument collectively), the legal rights or obligations that are altered and the degree to which they are altered are "economically significant." A modification of a debt instrument that is not a significant modification does not result in a deemed exchange.

The Company intends to take the position that the adoption of the Amendments does not result in a significant modification. Based on this position, a U.S. Holder (i) will not recognize any gain or loss with respect to a deemed exchange of the Senior Secured Notes as a result of the adoption of the Amendments and (ii) will continue to have the same tax basis, holding period and accrued market discount (if any) with respect to the Senior Secured Notes as it had immediately prior to the adoption of the Amendments.

U.S. Holders are encouraged to consult their tax advisors regarding the risk that adoption of the Amendments constitutes a significant modification for U.S. federal income tax purposes, the tax consequences if the adoption of the Amendments were to be treated as a deemed exchange, and the tax consequences of holding the Senior Secured Notes after the adoption of the Amendments.

Non-U.S. Holders.

Non-U.S. Holders will generally not be subject to U.S. federal income tax, regardless of whether the adoption of the Amendments results in a deemed exchange of Senior Secured Notes for new Senior Secured Notes. Non-U.S. Holders are encouraged to consult their tax advisors regarding the risk that adoption of the Amendments constitutes a significant modification for U.S. federal income tax purposes, the tax consequences if the adoption of the Amendments were to be treated as a deemed exchange, and the tax consequences of holding the Senior Secured Notes after the adoption of the Amendments.

HARBINGER GROUP INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

[FORM OF] FIRST SUPPLEMENTAL INDENTURE

Dated as of May [], 2014

to

INDENTURE

Dated as of December 24, 2012

Between

HARBINGER GROUP INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

7.875% Senior Secured Notes Due 2019

[FORM OF] FIRST SUPPLEMENTAL INDENTURE (this “First Supplemental Indenture”), dated as of May [], 2014, by and between HARBINGER GROUP INC., a Delaware corporation (the “Company”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (the “Trustee”) under the Indenture (as defined below). Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture.

WITNESSETH:

WHEREAS, the Company executed and delivered to the Trustee an Indenture, dated as of December 24, 2012, by and between the Company and the Trustee, pursuant to which the Company’s 7.875% Senior Secured Notes Due 2019 (the “Notes”) were issued (the “Indenture”);

WHEREAS, Section 9.02 of the Indenture provides that the Company and the Trustee may amend or supplement the Indenture and the Notes, with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with the purchase of, or tender offer or exchange offer for, the Notes);

WHEREAS, the Company distributed a consent solicitation statement dated May 9, 2014 (the “Statement”), in order to, among other things, subject to the terms and conditions set forth in the Statement, solicit consents from Holders to certain amendments to the Indenture and the Notes (the “Consent Solicitation”);

WHEREAS, in connection with the Consent Solicitation, the Company has commenced an exchange offer (the “Exchange Offer”) of up to \$350,000,000 aggregate principal amount of its 7.750% Senior Notes due 2022 for a portion of outstanding Notes;

WHEREAS, the Holders of at least a majority in aggregate principal amount of the outstanding Notes have duly consented to the proposed modifications set forth in this First Supplemental Indenture in accordance with Section 9.02 of the Indenture;

WHEREAS, the Company and the Trustee are authorized to execute and deliver this First Supplemental Indenture; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this First Supplemental Indenture and to make this First Supplemental Indenture valid and binding have been complied with or performed.

NOW, THEREFORE, in consideration of the foregoing and notwithstanding any provision of the Indenture which, absent this First Supplemental Indenture, might operate to limit such action, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE ONE

AMENDMENTS

SECTION 1.01 *Amendments to Definitions*. The definition of “Consolidated Net Income” in Section 1.01 of the Indenture is hereby amended and restated in its entirety as follows:

“**Consolidated Net Income**” means, for any period, the aggregate net income (or loss) of the Company and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, *provided* that the following (without duplication) will be excluded in computing Consolidated Net Income:

- (1) the net income (or loss) of any Person that is not a Guarantor, *provided, however*, that dividends or other distributions actually paid in cash to the Company or any of the Guarantors by such Person during such period shall be included;

- (2) any net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition;
- (3) any net after-tax gains or losses attributable to or associated with the extinguishment of Debt or Hedging Agreements;
- (4) the cumulative effect of a change in accounting principles;
- (5) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock or other rights;
- (6) to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption;
- (7) any expenses or charges related to any issuance of Equity Interests, acquisition, disposition, recapitalization or issuance, repayment, refinancing, amendment or modification of Debt (including amortization or write offs of debt issuance or deferred financing costs, premiums and prepayment penalties), in each case, whether or not successful, including any such expenses or charges attributable to the issuance and sale of the Notes and the consummation of the exchange offer pursuant to the Registration Rights Agreement;
- (8) any expenses or reserves for liabilities to the extent that the Company or any Subsidiary of the Company is entitled to indemnification therefor under binding agreements; *provided* that any liabilities for which the Company or such Subsidiary is not actually indemnified shall reduce Consolidated Net Income in the period in which it is determined that the Company or such Subsidiary will not be indemnified;
- (9) to the extent specifically included in the unconsolidated Statement of Operations of the Company, (a) unrealized gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP shall be excluded (until realized, at which time such gains or losses shall be included); and (b) unrealized gains and losses with respect to hedging obligations for currency exchange risk shall be excluded (until realized, at which time such gains or losses shall be included); and
- (10) to the extent specifically included in the unconsolidated Statement of Operations of the Company, any charges resulting from the application of FASB ASC 350, Intangibles—Goodwill and Other, ASC 815, Accounting for Derivative Instruments and Hedging Activities, Accounting Standards Codification Topic 360-10-35-15, Impairment or Disposal of Long-Lived Assets, Accounting Standards Codification Topic 480-10-25-4, Distinguishing Liabilities from Equity—Overall Recognition, or Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures, the amortization of intangibles arising pursuant to FASB ASC 805, Business Combinations, non-cash interest expense resulting from the application of Accounting Standards Codification Topic 470-20 Debt—Debt with Conversion Options—Recognition, and any non-cash income tax expense that results from the inability to include deferred tax liabilities related to indefinite lived intangible assets as future reversals of temporary differences under FASB ASC 740-10-30-18, non-cash charges arising from the springing maturity feature of any Debt, and restructuring and related charges and acquisition and related integration charges.

(a) Section 4.07(a) of the Indenture is hereby amended and restated in its entirety as follows:

(a) The Company will not, and, to the extent within the Company's control, will not permit any of its Subsidiaries (including any Guarantor) to, directly or indirectly (the payments and other actions described in the following clauses being collectively "**Restricted Payments**"):

(i) declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in the Company's Qualified Equity Interests) held by Persons other than the Company or any of its Subsidiaries;

(ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company held by Persons other than the Company or any of its Subsidiaries;

(iii) repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt of the Company or any Guarantor except a payment of interest or principal at Stated Maturity; or

(iv) make any Investment in any direct or indirect parent of the Company;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) no Default has occurred and is continuing,

(2) the Company could Incur at least \$1.00 of Debt under paragraph (b)(1) of Section 4.06, and

(3) the aggregate amount expended for all Restricted Payments made on or after the January 21, 2014 would not, subject to paragraph (c), exceed the sum of

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning with the first fiscal quarter commencing after the January 21, 2014 and ending on the last day of the Company's most recently completed fiscal quarter for which internal financial statements are available, plus

(B) subject to paragraph (c), the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Company (other than from a Subsidiary) after the January 21, 2014

(i) from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of the Company, or

(ii) as a contribution to its common equity (other than Equity Interests sold to a Subsidiary), plus

(C) \$30,000,000.

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the Company's Board of Directors, whose determination will be conclusive and evidenced by a Board Resolution.

(b) Section 4.07(b)(6) of the Indenture is hereby amended and restated in its entirety as follows:

(6) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company held by officers, directors or employees or former officers, directors or employees (or their estates or beneficiaries under their estates), upon death, disability, retirement, severance or termination of employment or pursuant to any agreement under which the Equity Interests were issued; *provided* that the aggregate cash consideration paid therefor in any fiscal year, commencing with the fiscal year during which the Issue Date occurred, does not exceed an aggregate amount equal to the sum of (x) \$25,000,000 and (y) the amount of Restricted Payments permitted but not made pursuant to this clause (6) in prior fiscal years commencing with the fiscal year during which the Issue Date occurred, *provided* that no more than \$50,000,000 may be carried forward from a fiscal year to the next succeeding fiscal year such that the aggregate amount of cash consideration paid pursuant to this clause (6) in any fiscal year shall not exceed \$50,000,000;

(c) The following subsection is hereby inserted into Section 4.07(b) of the Indenture in numerical order:

(14) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company in an aggregate amount not to exceed \$100,000,000.

(d) Section 4.07(c) of the Indenture is hereby amended and restated in its entirety as follows:

(c) Proceeds of the issuance of Qualified Equity Interests will be included under clause (3) of paragraph (a) only to the extent they are not applied as described in clause (4) or (5) of paragraph (b). Restricted Payments permitted pursuant to clauses (2) through (9), (11), (12) and (14) will not be included in making the calculations under clause (3) of paragraph (a).

(d) Section 4.07(d) of the Indenture is hereby amended and restated in its entirety as follows:

(d) For purposes of determining compliance with this Section 4.07, in the event that a proposed Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (14) above, or is entitled to be incurred pursuant to paragraph (a) of this Section 4.07, the Company will be entitled to divide, classify or re-classify (based on circumstances existing at the time of such re-classification) such Restricted Payment (or portion thereof) in any manner that complies with this Section 4.07 and such Restricted Payment will be treated as having been made pursuant to only such clause or clauses or the paragraph (a) of this Section 4.07.

ARTICLE TWO

MISCELLANEOUS

SECTION 2.01 *Effect of Supplemental Indenture*. Except as amended hereby, all of the terms of the Indenture shall remain and continue in full force and effect and are hereby confirmed in all respects. From and after the date of this First Supplemental Indenture, all references to the Indenture (whether in the Indenture or in any other agreements, documents or instruments) shall be deemed to be references to the Indenture as amended and supplemented by this First Supplemental Indenture.

SECTION 2.02 *Effectiveness*. The provisions of this First Supplemental Indenture shall be effective only upon execution and delivery of this instrument by the parties hereto. Notwithstanding the foregoing sentence, the provisions of this First Supplemental Indenture shall become operative only at such time as Notes validly tendered (and not validly withdrawn), as of the Exchange Offer's early tender deadline and subject to pro ration as described in the Statement, are accepted for exchange by the Company pursuant to the Exchange Offer, with the result that the amendments to the Indenture effective by this First Supplemental Indenture shall be deemed to be revoked retroactively to the date hereof if such purchase shall not occur.

SECTION 2.02 *Governing Law*. THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY OTHER CONFLICTS OF LAW PROVISIONS.

SECTION 2.03 *No Representations by Trustee*. The Trustee accepts the amendments of the Indenture effected by this First Supplemental Indenture, but on the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee. Without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Company, or for or with respect to (i) the validity or sufficiency of this First Supplemental Indenture or any of the terms or provisions hereof, (ii) the proper authorization hereof by the Company by action or otherwise, (iii) the due execution hereof by the Company or (iv) the consequences of any amendment herein provided for, and the Trustee makes no representation with respect to any such matters.

SECTION 2.04 *Counterparts*. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall constitute but one and the same instrument.

SECTION 2.05 *Ratification of Indenture; Supplemental Indenture Part of Indenture*. Except as expressly amended hereby, the Indenture and the Notes issued thereunder are in all respects ratified and confirmed, and all of the terms, conditions and provisions thereof shall remain in full force and effect. This First Supplemental Indenture is executed as, and shall constitute an indenture supplemental to the Indenture and shall be construed in connection with and form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date hereof.

HARBINGER GROUP INC.
as Issuer

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

By: _____
Name:
Title:

[Signature Page to First Supplemental Indenture]

Any questions or requests for assistance or additional copies of this Offering Memorandum or the Letter of Transmittal may be directed to the Information and Exchange Agent at the telephone numbers and address listed below. Holders may also contact their custodian bank, broker, dealer, trust company or other nominee for assistance.

The Information and Exchange Agent for the Offer is:

D.F. KING & CO., INC.
48 Wall Street, 22nd Floor
New York, New York 10005
Banks and Brokers call: (212) 269-5550
All other call toll-free: (800) 431-9633
Email: hrg@dfking.com

By Facsimile (for Eligible Institutions only):
(212) 709-3328

Confirmation:
(212) 493-6940
Attn: Krystal Scrudato

LETTER OF TRANSMITTAL



Offer to Exchange

By Harbinger Group Inc. ("HGI," the "Company," "we," "us" and "our")

up to \$350,000,000 aggregate principal amount of

7.750% Senior Notes due 2022 (the "Additional Senior Notes") (CUSIP 41146AAH9)

for up to an aggregate principal amount described herein of its Outstanding

7.875% Senior Secured Notes due 2019 (the "Senior Secured Notes") (CUSIP 41146AAE6)

The Offer (as defined below) includes an early tender period which will expire at 5:00 pm, New York City time, on Wednesday, May 28, 2014, unless extended or earlier terminated (such date and time, as the same may be extended or earlier terminated, the "Early Tender Time"). The Offer will expire at 11:59 pm, New York City time, on Wednesday, June 11, 2014, unless extended or earlier terminated (such date and time, as the same may be extended or earlier terminated, the "Expiration Time"). Tendered Senior Secured Notes may be withdrawn in accordance with the terms of the Offer prior to 5:00 pm, New York City time, on Wednesday, May 28, 2014, but not thereafter, other than as required by applicable law, unless such time is extended or earlier terminated by us in our sole discretion (such time, as the same may be extended or earlier terminated, the "Withdrawal Deadline"). Holders (as defined below) must validly tender their Senior Secured Notes at or prior to the Early Tender Time in order to receive the Total Consideration (as defined below) for such Senior Secured Notes, which includes the Early Tender Payment (as defined below). Holders who tender their Senior Secured Notes after the Early Tender Time but by the Expiration Time will only be eligible to receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration (as defined below). If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange. The Offer is being made upon the terms and subject to the conditions set forth in the Offer Documents (as defined below) and subject to the Tender Cap (as defined below) and any required proration.

The Information and Exchange Agent for the Offer is:

D.F. KING & CO., INC.

48 Wall Street, 22nd Floor

New York, New York 10005

Banks and Brokers call: (212) 269-5550

All other call toll-free: (800) 431-9633

Email: hrg@dfking.com

By Facsimile (for Eligible Institutions only):

(212) 709-3329

Confirmation:

(212) 493-6940

Attn: Krystal Scrudato

Delivery of this Letter of Transmittal (as it may be supplemented and amended from time to time, the “Letter of Transmittal”) to an address other than as set forth above or transmission of this Letter of Transmittal via facsimile to a number other than as set forth above does not constitute valid tender. The instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

All capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Offering Memorandum, dated May 14, 2014 (as it may be supplemented and amended from time to time, the “Offering Memorandum”).

The Total Consideration provides Holders who validly tender Senior Secured Notes by the Early Tender Time \$1,092.50 principal amount of Additional Senior Notes (which includes the “Early Tender Payment” of \$50 principal amount of Additional Senior Notes) per \$1,000 principal amount of Senior Secured Notes, adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes received, in each case to but not including the Early Settlement Date. The Offer Consideration provides Holders who validly tender Senior Secured Notes after the Early Tender Time by the Expiration Time, if the Offer is not fully subscribed as of the Early Tender Time, \$1,042.50 principal amount of Additional Senior Notes per \$1,000 principal amount of Senior Secured Notes, adjusted for accrued and unpaid interest on the Senior Secured Notes tendered and prefunded accrued interest on the Additional Senior Notes received, in each case to but not including the Early Settlement Date. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early Tender Time will not have any of their Senior Secured Notes accepted for exchange.

The “Total Consideration” means, for each \$1,000 principal amount of Senior Secured Notes tendered and accepted by us, Additional Senior Notes in the principal amount of:

$$\begin{array}{r} \$1,092.50 \text{ (plus accrued and unpaid interest on } \$1,000 \\ \text{principal amount of Senior Secured Notes from January 15, 2014 to but} \\ \text{not including the Early Settlement Date)} \\ \hline \$1,000^* \quad \$1,000 \text{ (plus accrued and unpaid interest on } \$1,000 \\ \text{principal amount of Additional Senior Notes from January 21, 2014 to} \\ \text{but not including the Early Settlement Date)} \end{array}$$

The “Offer Consideration” means, for each \$1,000 principal amount of Senior Secured Notes tendered and accepted by us, Additional Senior Notes in the principal amount of:

$$\begin{array}{r} \$1,042.50 \text{ (plus accrued and unpaid interest on } \$1,000 \\ \text{principal amount of Senior Secured Notes from January 15, 2014 to but} \\ \text{not including the Final Settlement Date)} \\ \hline \$1,000^* \quad \$1,000 \text{ (plus accrued and unpaid interest on } \$1,000 \\ \text{principal amount of Additional Senior Notes from January 21, 2014 to} \\ \text{but not including the Final Settlement Date)} \end{array}$$

Holders who wish to be eligible to receive the applicable Total Consideration pursuant to the Offer must validly tender their Senior Secured Notes to the Information and Exchange Agent at or prior to the Early Tender Time. Holders who validly tender their Senior Secured Notes at or prior to the Expiration Time and do not withdraw their tender of Senior Secured Notes prior to the Withdrawal Deadline (unless they re-tender their Senior Secured Notes prior to the Early Tender Time) will, subject to the terms and conditions of the Offering Memorandum, including the Tender Cap and any required proration, receive the applicable Total Consideration (if such Notes are accepted) on the Early Settlement Date. Holders who validly tender their Senior Secured Notes to the Information and Exchange Agent after the Early Tender Time but at or prior to the Expiration Time and do not withdraw their tender of Senior Secured Notes prior to the Withdrawal Deadline (unless they re-tender their Senior Secured Notes prior to the Expiration Time) will, subject to the terms and conditions of the Offering Memorandum, including the Tender Cap and any required proration, receive the applicable Offer Consideration (if such Notes are accepted) on the Final Settlement Date. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Senior Secured Notes after the Early

Tender Time will not have any of their Senior Secured Notes accepted for exchange. The Settlement Date in respect of the Senior Secured Notes that are validly tendered at or prior to the Early Tender Time and not validly withdrawn prior to the Withdrawal Deadline and accepted for exchange, subject to the Tender Cap and any required proration, will be promptly after the Early Tender Time, but prior to the Expiration Time, and is expected to be on or about Friday, May 30, 2014, two business days following the Early Tender Time, unless the Early Tender Time is extended by the Company in its sole discretion. The applicable Settlement Date in respect of Senior Secured Notes that are validly tendered after the Early Tender Time but at or prior to the Expiration Time and accepted for exchange, subject to the Tender Cap and any required proration, will be promptly after the Expiration Time and is expected to be on or about Friday, June 13, 2014, two business days following the Expiration Time, unless the related Offer is extended by the Company in its sole discretion.

This Letter of Transmittal is to be used (i) if certificates of Senior Secured Notes are to be forwarded herewith or (ii) if delivery of Senior Secured Notes are to be made by book-entry transfer to an account maintained by the Information and Exchange Agent at the applicable Clearing System pursuant to the procedures set forth in “The Offer—Procedures for Tendering Notes” in the Offering Memorandum.

Holders that are tendering by book-entry transfer to the Information and Exchange Agent’s account at DTC must electronically transmit their acceptance of the Offer through the DTC Automated Tender Offer Program (“*ATOP*”), for which the transaction will be eligible. DTC participants that are accepting the offer must transmit their acceptances to DTC, which will then verify the acceptance of the Offer, execute a book-entry transfer into the Information and Exchange Agent’s account at DTC and send an Agent’s Message to the Information and Exchange Agent for its acceptance.

Questions and requests for assistance or for additional copies of the Offering Memorandum and this Letter of Transmittal may be directed to the Information and Exchange Agent.

Tendering holders must complete the appropriate box(es) below with respect to the Senior Secured Notes to which this Letter of Transmittal relates.

Senior Secured Notes

List below the Senior Secured Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, list the certificate numbers and principal amounts of the Senior Secured Notes being tendered on a separately executed schedule and affix the schedule to this Letter of Transmittal. Senior Secured Notes may be tendered only in principal amounts equal to minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted.

<u>Name and Address of Registered Holder (fill in, if blank)</u>	<u>7.875% Senior Secured Notes due 2019 (CUSIP 41146AAE6)</u> <u>Certificate Number(s) 1</u>	<u>Principal Amount Tendered²</u> <u>\$</u>

¹ Need not be completed by book-entry holders. Such holders should check the appropriate box below and provide the requested information.

² All principal amounts must be in permitted denominations as specified in the terms of such Senior Secured Notes and in the Offering Memorandum.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Offer. Holders who wish to tender their Senior Secured Notes must complete this letter in its entirety.

For holders that are tendering Senior Secured Notes:

- CHECK HERE IF TENDERED SENIOR SECURED NOTES ARE ENCLOSED HEREWITH.
- CHECK HERE IF TENDERED SENIOR SECURED NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE INFORMATION AND EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

NOTE: SIGNATURES MUST BE PROVIDED BELOW
BY ALL HOLDERS TENDERING SENIOR SECURED NOTES
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

By the execution hereof, the undersigned hereby acknowledges receipt of the Offering Memorandum of HGI and this Letter of Transmittal. We urge you to review the Offering Memorandum for the terms and conditions of the Offer. Certain terms used but not defined herein have the meaning given to them in the Offering Memorandum.

Upon the terms and subject to the conditions of the Offer, the undersigned hereby tenders to the Company the above described principal amount of Senior Secured Notes. Subject to and effective upon the acceptance for exchange of, and exchange of, Senior Secured Notes tendered herewith, the undersigned hereby (1) irrevocably sells, assigns and transfers to the Company, all right, title and interest in and to all such Senior Secured Notes as are being tendered herewith, (2) releases and discharges the Company from any and all claims the undersigned may have now, or may have in the future, arising out of, or related to, such Senior Secured Notes, including without limitation, any claims that the undersigned is entitled to receive additional principal payments with respect to such Senior Secured Notes or to participate in any redemption or defeasance of such Senior Secured Notes and (3) irrevocably appoints the Information and Exchange Agent as its agent and attorney-in-fact (with full knowledge that the Information and Exchange Agent is also acting as agent of the Company with respect to the tendered Senior Secured Notes with full power coupled with an interest) to (a) deliver certificates representing the Senior Secured Notes, or transfer ownership of the Senior Secured Notes on the account books maintained by DTC, together with all accompanying evidences of transfer and authenticity, to or upon the Company's order, (b) present the Senior Secured Notes for transfer on the relevant security register and (c) receive all benefits or otherwise exercise all rights of beneficial ownership of the Senior Secured Notes (except that the Information and Exchange Agent will have no rights to or control over, the Company's funds, except as the Company's agent, for the offer consideration for any tendered Senior Secured Notes that are exchanged by the Company), all in accordance with the terms of the Offer.

Subject to applicable regulations of the Securities and Exchange Commission, if, for any reason whatsoever, acceptance for exchange of, or exchange of, any Senior Secured Notes tendered pursuant to the Offer is delayed (whether before or after the Company's acceptance for exchange of, or exchange of, Senior Secured Notes) or the Company extends the Offer or are unable to accept for exchange or exchange the Senior Secured Notes tendered pursuant to the Offer, the Company may instruct the Information and Exchange Agent to retain tendered Senior Secured Notes, and those Senior Secured Notes may not be withdrawn, except to the extent that you are entitled to the withdrawal rights set forth in the Offering Memorandum. If you have tendered Senior Secured Notes, you may withdraw those Senior Secured Notes prior to the Withdrawal Deadline by delivering a written notice of withdrawal subject to the limitations and requirements described in "The Offer—Withdrawal of Tenders" in the Offering Memorandum.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Senior Secured Notes tendered hereby, and to acquire the Additional Senior Notes issuable upon the exchange of such tendered Senior Secured Notes, and that, when the Senior Secured Notes are accepted for exchange, the Company will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and that the Senior Secured Notes tendered hereby are not subject to any adverse claims or proxies. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company or the Information and Exchange Agent to be necessary or desirable to complete the sale, assignment and transfer of the Senior Secured Notes tendered hereby. The undersigned has read this Letter of Transmittal and the Offering Memorandum and agrees to all of the terms of the Offer.

The undersigned understands that tenders of Senior Secured Notes pursuant to any one of the procedures described in the Offering Memorandum under the heading “The Offer—Procedures for Tendering Notes” and in the instructions herein will, upon the Company’s acceptance for exchange of such tendered Senior Secured Notes, constitute a binding agreement between the undersigned and the Company, upon the terms and subject to the conditions of the Offer.

The Offer is subject to certain conditions described in the section of the Offering Memorandum entitled “The Offer—Conditions of the Offer.”

The name(s) and address(es) of the registered holder(s) of the Senior Secured Notes tendered hereby should be printed above, if they are not already set forth above, as they appear on the certificates representing such Senior Secured Notes. The certificate number(s) and the Senior Secured Notes that the undersigned wishes to tender should be indicated in the appropriate boxes above.

Unless otherwise indicated in the boxes entitled “Special Delivery Instructions” or “Special Payment or Issuance Instructions” in this Letter of Transmittal, certificates for all Additional Senior Notes delivered in exchange for tendered Senior Secured Notes will be registered in the name of the undersigned and shall be delivered to the undersigned at the address shown below the signature of the undersigned. If Additional Senior Notes are to be issued to a person other than the person(s) signing this Letter of Transmittal, or if Additional Senior Notes are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address different than the address shown on this Letter of Transmittal, the appropriate boxes of this Letter of Transmittal should be completed. If Senior Secured Notes are surrendered by holder(s) that have completed either the boxes entitled “Special Delivery Instructions” or “Special Payment or Issuance Instructions” in this Letter of Transmittal, signature(s) on this Letter of Transmittal must be guaranteed by a Medallion Signature Guarantor (as defined in instruction 4).

All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, legal representatives, successors and assigns of the undersigned.

The undersigned, by completing the box(es) above and signing this letter, will be deemed to have tendered the Senior Secured Notes as set forth in such box(es).

TENDERING HOLDER(S) SIGN HERE

**(To be completed by all tendering holders of Senior Secured Notes)
(In addition, complete Form W-9 or applicable Form W-8; see Instruction 12)**

PLEASE SIGN HERE

PLEASE SIGN HERE

Authorized Signature of Registered Holder

Authorized Signature of Registered Holder

This Letter of Transmittal must be signed by registered holder(s) exactly as name(s) appear(s) on the Senior Secured Notes or on a security position listing as the owner of the Senior Secured Notes or by person(s) authorized to become registered holder(s) by validly completed bond powers transmitted herewith. See Instruction 3. If signature is by attorney-in-fact, trustee, executor, administrator, guardian, officer of a corporation or other person acting in a fiduciary or representative capacity, please submit evidence satisfactory to the Company of such person's authority to so act and provide the following information:

If the signature appearing below is not of the registered holder(s) of the Senior Secured Notes, then the registered holder(s) must sign a valid proxy in favor of the person whose signature appears below. The signature on the proxy must be guaranteed by an Eligible Institution. The proxy should accompany this Letter of Transmittal.

Name: _____

Name: _____

Title: _____

Title: _____

Address: _____

Address: _____

Telephone Number: _____

Telephone Number: _____

Dated: _____

Dated: _____

Taxpayer Identification or Social Security Number

Taxpayer Identification or Social Security Number

SIGNATURE GUARANTEE
(If required; see Instruction 4)

Name of Eligible Institution
Guaranteeing Signature: _____

Signature(s) Guaranteed by an
Eligible Institution: _____
Authorized Signature

Address: _____

Telephone Number: _____

Signature(s) Guaranteed by an
Eligible Institution: _____
Authorized Signature

Printed Name: _____

Capacity (full title): _____

Date: _____

SPECIAL PAYMENT OR ISSUANCE
INSTRUCTIONS
(See Instructions 4 and 5)

To be completed ONLY if the Additional Senior Notes or any Senior Secured Notes that are not tendered or are not accepted are to be issued in the name of someone other than the undersigned.

Issue: Additional Senior Notes to:
 Senior Secured Notes to:

Name(s) _____

Address _____

Telephone Number: _____

DTC Account: _____
(Tax Identification or Social Security number)

SPECIAL DELIVERY INSTRUCTIONS (See Instructions 4 and 5)

To be completed ONLY if the Additional Senior Notes or any Senior Secured Notes that are not tendered or are not accepted are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Issue: Additional Senior Notes to:
 Senior Secured Notes to:

Name(s) _____

Address _____

Telephone Number: _____

DTC Account: _____
(Tax Identification or Social Security number)

INSTRUCTIONS
Forming Part of the Terms and Conditions of
the Offer

1. Delivery of this Letter of Transmittal.

All physically delivered Senior Secured Notes or confirmation of any book-entry transfer to the Information and Exchange Agent's account at DTC, as well as a validly completed and duly executed copy of this Letter of Transmittal (or facsimile thereof), and any other documents required by this Letter of Transmittal with any required signature guarantees or, in the case of a book-entry transfer, an appropriate Agent's Message, must be received by the Information and Exchange Agent at any of its addresses set forth herein on or prior to the Expiration Time (or the Early Tender Time, if the holder desires). The method of delivery of this Letter of Transmittal, the Senior Secured Notes and all other required documents is at the election and risk of the holder. Instead of delivery by mail, it is recommended that holders use an overnight or hand delivery service. Except as otherwise provided below, the delivery will be deemed made only when actually received by the Information and Exchange Agent.

Any beneficial holder whose Senior Secured Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender Senior Secured Notes in the offer should contact such registered holder promptly and instruct such registered holder to tender on such beneficial holder's behalf. If such beneficial holder wishes to tender directly, such beneficial holder must, prior to completing and executing this Letter of Transmittal and tendering Senior Secured Notes, either make appropriate arrangements to register ownership of the Senior Secured Notes in such beneficial holder's own name or obtain a validly completed bond power from the registered holder. Beneficial holders should be aware that the transfer of registered ownership may take considerable time.

Delivery to an address other than as set forth herein, or instructions via a facsimile number other than the ones set forth herein, will not constitute a valid delivery.

The Company expressly reserves the right, at any time or from time to time, to extend the Early Tender Time or the Expiration Time.

LETTERS OF TRANSMITTAL
SHOULD NOT BE SENT TO THE COMPANY OR DTC.

2. Senior Secured Notes Partial Tenders.

Tender of Senior Secured Notes pursuant to the Offer will be accepted only in principal amounts equal to permitted denominations, which are in minimum denominations of \$2,000 or the nearest whole multiple of \$1,000 in excess thereof, for such Senior Secured Notes. The Company will not accept any tender that would result in the issuance of less than \$2,000 principal amount of Additional Senior Notes to a participating holder. If less than the entire principal amount of Senior Secured Notes evidenced by a submitted certificate is tendered, the tendering holder should fill in the principal amount tendered in the column entitled "Principal Amount Tendered for the Offer" of the appropriate box(es) above. As soon as practicable after the applicable settlement date, the Information and Exchange Agent will return to any holder who partially tendered a Senior Secured Notes a certificate for the portion of the old note that was not tendered and not exchanged for Additional Senior Notes. All Senior Secured Notes delivered to the Information and Exchange Agent will be deemed to have been tendered in full unless otherwise indicated.

Any Senior Secured Notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to such holder as promptly as practicable.

3. [Reserved.]

4. Signature on this Letter of Transmittal; Written Instruments and Endorsements; Guarantee of Signatures.

If this Letter of Transmittal is signed by the registered holder(s) of the Senior Secured Notes tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates without alteration or enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the owner of the Senior Secured Notes.

If any of the Senior Secured Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Senior Secured Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Senior Secured Notes.

Signatures on all Letters of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (a "*Medallion Signature Guarantor*"), unless the Senior Secured Notes tendered thereby are tendered (i) by a holder of Senior Secured Notes (or by a participant in DTC whose name appears on a security position listing as the owner of such Senior Secured Notes) who has not completed either the box entitled "Special Payment or Issuance Instructions" or "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of a member firm of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "*Eligible Institution*"). If the Senior Secured Notes are registered in the name of a person other than the signer of the Letter of Transmittal or if Senior Secured Notes not accepted for exchange or not tendered are to be returned to a person other than the holder, then the signatures on the Letter of Transmittal accompanying the tendered Senior Secured Notes must be guaranteed by a Medallion Signature Guarantor as described above.

If this Letter of Transmittal is signed by the registered holder or holders of Senior Secured Notes (which term, for the purposes described herein, shall include a participant in DTC whose name appears on a security listing as the owner of the Senior Secured Notes) listed and tendered hereby, no endorsements of the tendered Senior Secured Notes or separate written instruments of transfer or exchange are required. In any other case, if tendering Senior Secured Notes, the registered holder (or acting holder) must either validly endorse the Senior Secured Notes or transmit validly completed bond powers with this Letter of Transmittal (in either case executed exactly as the name(s) of the registered holder(s) appear(s) on the Senior Secured Notes, and, with respect to a participant in DTC whose name appears on a security position listing as the owner of Senior Secured Notes, exactly as the name of the participant appears on such security position listing), with the signature on the Senior Secured Notes or bond power guaranteed by a Medallion Signature Guarantor (except where the Senior Secured Notes are tendered for the account of an Eligible Institution).

If Senior Secured Notes are to be tendered by any person other than the person in whose name the Senior Secured Notes are registered, the Senior Secured Notes must be endorsed or accompanied by an appropriate written instrument or instruments of transfer executed exactly as the name or names of the holder or holders appear on the Senior Secured Notes, with the signature(s) on the Senior Secured Notes or instruments of transfer guaranteed as provided above, and this Letter of Transmittal must be executed and delivered either by the holder or holders, or by the tendering person pursuant to a valid proxy signed by the holder or holders, which signature must, in either case, be guaranteed as provided below.

5. Special Issuance, Delivery and Payment Instructions.

Tendering holders should indicate, in the applicable box, the name and address in which the Additional Senior Notes or Senior Secured Notes for principal amounts not tendered or not accepted for exchange are to be issued and delivered (or deposited), if different from the names and addresses of the person signing this Letter of Transmittal. In the case of issuance or payment in a different name, the taxpayer identification number or social security number of the person named must also be indicated and the tendering holder should complete the applicable box. Holders tendering Senior Secured Notes by book-entry transfer may request that Senior Secured Notes not exchanged be credited to such account maintained at DTC as such holder may designate hereon.

If no instructions are given, the Additional Senior Notes (and any Senior Secured Notes not tendered or not accepted) will be issued in the name of and delivered to the acting holder of the Senior Secured Notes or deposited at such holder's account maintained at DTC, as applicable.

6. Transfer Taxes.

The Company shall pay all transfer taxes, if any, applicable to the exchange of Senior Secured Notes pursuant to the Offer. If, however, transfer taxes are payable in circumstances where certificates representing the Additional Senior Notes or Senior Secured Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Senior Secured Notes tendered or where tendered Senior Secured Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Senior Secured Notes pursuant to the Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 6, it will not be necessary for transfer stamps to be affixed to the Senior Secured Notes listed in this Letter of Transmittal.

7. Waiver of Conditions.

The Company reserves the absolute right to waive, in whole or in part, any of the specified conditions to the Offer set forth in the Offering Memorandum.

8. Mutilated, Lost, Stolen or Destroyed Senior Secured Notes.

Any holder whose Senior Secured Notes have been mutilated, lost, stolen or destroyed should contact the Information and Exchange Agent at the address indicated above for further instructions.

9. Senior Secured Notes Withdrawal and Revocation Rights.

Tenders of Senior Secured Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, at the end of the Withdrawal Deadline and tenders of Senior Secured Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, at the end of the Withdrawal Deadline.

Senior Secured Notes tendered and not validly withdrawn prior to the Withdrawal Deadline (as described in the Offering Memorandum section entitled "The Offer—Withdrawal of Tenders") may not be withdrawn on or at any time thereafter, and Senior Secured Notes tendered on or after the Withdrawal Deadline may not be withdrawn or revoked at any time, unless any of the Offer is terminated without any Senior Secured Notes being accepted or as required by applicable law. If such a termination occurs, the Senior Secured Notes will be returned to the tendering holder as promptly as practicable.

A holder who validly withdraws previously tendered Senior Secured Notes prior to the Withdrawal Deadline and does not validly re-tender Senior Secured Notes prior to the Early Tender Time or the Expiration Time will not receive the Total Consideration or the Offer Consideration, respectively.

Subject to applicable regulations of the Securities and Exchange Commission, if, for any reason whatsoever, acceptance for exchange of, or exchange of, any Senior Secured Notes tendered pursuant to the Offer is delayed (whether before or after the Company's acceptance for exchange of Senior Secured Notes) or the Company extends the Offer, or is unable to accept for exchange, or exchange the Senior Secured Notes tendered pursuant to the Offer, the Company may instruct the Information and Exchange Agent to retain tendered Senior Secured Notes and those Senior Secured Notes may not be withdrawn, except to the extent that you are entitled to the withdrawal rights set forth herein.

To be effective, a written or facsimile transmission notice of withdrawal of a tender or a properly transmitted "Request Message" through DTC's ATOP system for a withdrawal of a tender, must: (1) be received by the Information and Exchange Agent at one of the addresses specified in this Letter of Transmittal prior to the Withdrawal Deadline; (2) specify the name of the holder of the Senior Secured Notes to be withdrawn, as applicable; (3) contain the description of the Senior Secured Notes to be withdrawn, the certificate numbers shown on the particular certificates representing such Senior Secured Notes (or, in the case of Senior Secured Notes tendered by book-entry transfer, the number of the account at DTC from which the Senior Secured Notes were tendered and the name and number of the account at DTC to be credited with the Senior Secured Notes withdrawn) and the aggregate principal amount represented by such Senior Secured Notes; and (4) be signed by the holder of the Senior Secured Notes in the same manner as the original signature on the Letter of Transmittal or be accompanied by documents of transfer sufficient to have the trustee register the transfer of the Senior Secured Notes into the name of the person withdrawing the Senior Secured Notes, and must, if applicable, be guaranteed by an Eligible Institution.

If the Senior Secured Notes to be withdrawn have been delivered or otherwise identified to the Information and Exchange Agent, a signed notice of withdrawal is effective immediately upon receipt by the Information and Exchange Agent of written or facsimile transmission of the notice of withdrawal (or receipt of an Agent's Message) even if physical release is not yet effected. A withdrawal of Senior Secured Notes can only be accomplished in accordance with the foregoing procedures.

The Company will have the right, which may be waived, to reject the defective tender of Senior Secured Notes as invalid and ineffective.

If you withdraw Senior Secured Notes, you will have the right to re-tender and re-deliver them, as applicable, prior to the Expiration Time (or the Early Tender Time, if you wish to tender prior to the Early Tender Time) in accordance with the procedures described in the Offering Memorandum. If the Company amends or modifies the terms of the Offer or the information concerning the Offer in a manner determined by the Company to constitute a material change to holders of Senior Secured Notes, the Company will disseminate additional Offer materials and extend the period of the Offer, including any withdrawal and revocation rights, to the extent required by law and as the Company determines necessary. An extension of the Withdrawal Deadline or the Early Tender Time or Expiration Time will not affect a holder's withdrawal and revocation rights unless otherwise provided in the Offering Memorandum or in any additional Offer materials or as required by applicable law.

10. Requests for Assistance or Additional Copies.

Questions and requests for assistance relating to this Letter of Transmittal and other related documents and relating to the procedure for tendering may be directed to the Information and Exchange Agent at the address and telephone number set forth above.

Questions and requests for assistance relating to or for additional copies of the Offering Memorandum may be directed to the Information and Exchange Agent at the address and telephone number set forth above.

11. Validity and Form.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered Senior Secured Notes or delivery of Additional Senior Notes pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents, will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any or all tenders of any Senior Secured Notes or delivery of Additional Senior Notes determined by the Company not to be in proper form, or if the acceptance of or exchange of such Senior Secured Notes may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the right to waive any conditions to the Offer that the Company is legally permitted to waive.

Your tender will not be deemed to have been validly made until all defects or irregularities in your tender have been cured or waived. All questions as to the form and validity (including time of receipt) of any delivery or withdrawal of a tender will be determined by the Company in its sole discretion, which determination shall be final and binding. None of the Company, the Information and Exchange Agent or any other person or entity is under any duty to give notification of any defects or irregularities in any tender or withdrawal of any Senior Secured Notes, or will incur any liability for failure to give any such notification.

12. Important Tax Information.

To comply with Treasury Department Circular 230. You are hereby notified that: (a) any discussion of Federal tax issues in this Letter of Transmittal is not intended or written to be relied upon, and cannot be relied upon by you, for the purpose of avoiding penalties that may be exposed on you under the Internal Revenue Code of 1986, as amended (the "Code"); (b) any such discussion is being used in connection with the promotion or marketing (within the meaning of Circular 230) by the Company of the matters addressed herein; and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

Under current U.S. federal income tax law, the Exchange Agent (as payor) may be required to withhold a portion of any payments made to certain holders (or other payees) pursuant to the offer and other transactions described in the Offering Memorandum. To avoid such backup withholding, each tendering U.S. holder (as defined in the instructions to Form W-9) or other U.S. payee must provide the Exchange Agent with its correct taxpayer identification number ("*TIN*") and certify that it is not subject to backup withholding by completing Form W-9 of the Internal Revenue Service (the "*IRS*"), or otherwise establish an exemption from the backup withholding rules. In general, for an individual, the *TIN* is such individual's social security number. If the Exchange Agent is not provided with the correct *TIN* or an adequate basis for an exemption, the U.S. holder (or other U.S. payee) may be subject to a \$50 penalty imposed by the *IRS*, and any reportable payments made to such person may be subject to backup withholding at the applicable rate, currently 28%. Such reportable payments generally will be subject to information reporting, even if the Exchange Agent is provided with a *TIN*. If a U.S. holder has not been issued a *TIN* and has applied for one or intends to apply for one in the near future, such U.S. holder should write "Applied For" in the space provided for the *TIN* in Part I of Form W-9, sign and date the Form W-9 and the Certificate of Awaiting Taxpayer Identification Number. If "Applied For" is written in Part I and the Exchange Agent is not provided with a *TIN* prior to the date of payment, the Exchange Agent will withhold 28% of any reportable payments made to the U.S. holder. For further information concerning backup withholding and instructions for completing Form W-9 (including how to obtain a *TIN* if you do not have one and how to complete Form W-9 if the Senior Secured Notes are held in more than one name), consult the instructions in Form W-9. All *IRS* forms mentioned herein (and the instructions thereto) may be obtained on the *IRS* website at www.irs.gov.

Certain persons (including, among others, all corporations and certain non-U.S. persons) are not subject to these backup withholding and reporting requirements. Exempt U.S. persons should indicate their exempt status on Form W-9. To satisfy the Exchange Agent that a non-U.S. person qualifies as an exempt recipient, such person must submit a properly completed appropriate IRS Form W-8 (W-8BEN, W-8ECI, W-8EXP, or W-8IMY), signed under penalties of perjury, attesting to that person's non-U.S. status. The applicable IRS Form W-8 can be obtained from the Exchange Agent. Holders should consult their tax advisors as to any qualification for exemption from backup withholding, and the procedure for obtaining the exemption.

A person's failure to complete Form W-9, the applicable IRS Form W-8 or other appropriate form will not, by itself, cause such person's Senior Secured Notes to be deemed not properly tendered but may require the Exchange Agent to withhold a portion of any payments made to such person pursuant to the offer and other transactions described in the Offering Memorandum. Backup withholding is not an additional U.S. federal income tax. Rather, the amount of U.S. federal income tax withheld will be creditable against the U.S. federal income tax liability of a person subject to backup withholding. If backup withholding results in an overpayment of U.S. federal income tax, a refund may be obtained provided that the required information is timely furnished to the IRS.

As described in the Offering Memorandum, interest payments made to a non-U.S. holder will be subject to 30% U.S. federal withholding tax unless the holder provides proper certification on the applicable IRS Form W-8.

NOTE: FAILURE TO COMPLETE AND RETURN FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER AND OTHER TRANSACTIONS DESCRIBED IN THE OFFERING MEMORANDUM. PLEASE REVIEW FORM W-9 AND INSTRUCTIONS CONTAINED IN THIS LETTER OF TRANSMITTAL AND CONSULT YOUR TAX ADVISOR FOR ADDITIONAL DETAILS.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF TOGETHER WITH SENIOR SECURED NOTES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION TIME.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable payments made to me on account of the Additional Senior Notes shall be retained until I provide a taxpayer identification number to the Exchange Agent and that, if I do not provide my taxpayer identification number within 60 days, such retained amounts shall be remitted to the Internal Revenue Service as backup withholding and 28% of all reportable payments made to me thereafter will be withheld and remitted to the Internal Revenue Service until I provide a taxpayer identification number.

SIGNATURE: _____

DATE: _____

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do not
send to the IRS.

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)		
	Business name/disregarded entity name, if different from above		
	Check appropriate box for federal tax classification:	<input type="checkbox"/> Individual/sole proprietor	<input type="checkbox"/> C Corporation
		<input type="checkbox"/> S Corporation	<input type="checkbox"/> Partnership
		<input type="checkbox"/> Trust/estate	
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) u _____	Exemptions (see instructions): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____	
	<input type="checkbox"/> Other (see instructions)		
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)	
	City, state, and ZIP code		
	List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number — —
Employer identification number —

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
 - I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
 - I am a U.S. citizen or other U.S. person (defined below), and
 - The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.
- Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here Signature of U.S. person u _____

Date u _____

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at www.irs.gov/w9. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
- Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

In the cases below, the following person must give Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States:

- In the case of a disregarded entity with a U.S. owner, the U.S. owner of the disregarded entity and not the entity,
- In the case of a grantor trust with a U.S. grantor or other U.S. owner, generally, the U.S. grantor or other U.S. owner of the grantor trust and not the trust, and
- In the case of a U.S. trust (other than a grantor trust), the U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person or the U.S. branch of a foreign bank that has elected to be treated as a U.S. person, do not use Form W-9. Instead, use the appropriate Form W-8 or Form 8233 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity, give the requester the appropriate completed Form W-8 or Form 8233.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, payments made in settlement of payment card and third party network transactions, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See Exempt payee code on page 3 and the separate Instructions for the Requester of Form W-9 for more information.

Also see *Special rules for partnerships* on page 1.

What is FATCA reporting? The Foreign Account Tax Compliance Act (FATCA) requires a participating foreign financial institution to report all United States account holders that are specified United States persons. Certain payees are exempt from FATCA reporting. See *Exemption from FATCA reporting code* on page 3 and the Instructions for the Requester of Form W-9 for more information.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

Partnership, C Corporation, or S Corporation. Enter the entity’s name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

Disregarded entity. For U.S. federal tax purposes, an entity that is disregarded as an entity separate from its owner is treated as a “disregarded entity.” See Regulation section 301.7701-2(c)(2)(iii). Enter the owner’s name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income should be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a single owner that is a U.S. person, the U.S. owner’s name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity’s name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, the owner must complete an appropriate Form W-8 instead of a Form W-9. This is the case even if the foreign person has a U.S. TIN.

Note. Check the appropriate box for the U.S. federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

Limited Liability Company (LLC). If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the U.S. federal tax classification in the space provided. If you are an LLC that is treated as a partnership for U.S. federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation, as appropriate. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for U.S. federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

Other entities. Enter your business name as shown on required U.S. federal tax documents on the “Name” line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the “Business name/disregarded entity name” line.

Exemptions

If you are exempt from backup withholding and/or FATCA reporting, enter in the Exemptions box, any code(s) that may apply to you. See *Exempt payee code* and *Exemption from FATCA reporting code* on page 3.

Exempt payee code. Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends. Corporations are not exempt from backup withholding for payments made in settlement of payment card or third party network transactions.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following codes identify payees that are exempt from backup withholding:

- 1—An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2)
 - 2—The United States or any of its agencies or instrumentalities
 - 3—A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities
 - 4—A foreign government or any of its political subdivisions, agencies, or instrumentalities
 - 5—A corporation
 - 6—A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States
 - 7—A futures commission merchant registered with the Commodity Futures Trading Commission
 - 8—A real estate investment trust
 - 9—An entity registered at all times during the tax year under the Investment Company Act of 1940
 - 10—A common trust fund operated by a bank under section 584(a)
 - 11—A financial institution
 - 12—A middleman known in the investment community as a nominee or custodian
 - 13—A trust exempt from tax under section 664 or described in section 4947
- The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 13.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 7
Broker transactions	Exempt payees 1 through 4 and 6 through 11 and all C corporations. S corporations must not enter an exempt payee code because they are exempt only for sales of noncovered securities acquired prior to 2012.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 4
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt payees 1 through 5 ²
Payments made in settlement of payment card or third party network transactions	Exempt payees 1 through 4

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

Exemption from FATCA reporting code. The following codes identify payees that are exempt from reporting under FATCA. These codes apply to persons submitting this form for accounts maintained outside of the United States by certain foreign financial institutions. Therefore, if you are only submitting this form for an account you hold in the United States, you may leave this field blank. Consult with the person requesting this form if you are uncertain if the financial institution is subject to these requirements.

A—An organization exempt from tax under section 501(a) or any individual retirement plan as defined in section 7701(a)(37)

B—The United States or any of its agencies or instrumentalities

C—A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities

D—A corporation the stock of which is regularly traded on one or more established securities markets, as described in Reg. section 1.1472-1(c)(1)(i)

E—A corporation that is a member of the same expanded affiliated group as a corporation described in Reg. section 1.1472-1(c)(1)(i)

F—A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any state

G—A real estate investment trust

H—A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940

I—A common trust fund as defined in section 584(a)

J—A bank as defined in section 581

K—A broker

L—A trust exempt from tax under section 664 or described in section 4947(a)(1)

M—A tax exempt trust under a section 403(b) plan or section 457(g) plan

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, apply for a TIN and write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded U.S. entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, or 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt payee code* earlier.

Signature requirements. Complete the certification as indicated in items 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments made in settlement of payment card and third party network transactions, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee ¹
b. So-called trust account that is not a legal or valid trust under state law	The actual owner ¹
5. Sole proprietorship or disregarded entity owned by an individual	The owner ³
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor [*]
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity ⁴
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

¹List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

²Circle the minor's name and furnish the minor's SSN.

³You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

***Note.** Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

HARBINGER GROUP INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

[FORM OF] FIRST SUPPLEMENTAL INDENTURE

Dated as of May [], 2014

to

INDENTURE

Dated as of December 24, 2012

Between

HARBINGER GROUP INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

7.875% Senior Secured Notes Due 2019

[FORM OF] FIRST SUPPLEMENTAL INDENTURE (this “First Supplemental Indenture”), dated as of May [], 2014, by and between HARBINGER GROUP INC., a Delaware corporation (the “Company”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee (the “Trustee”) under the Indenture (as defined below). Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture.

WITNESSETH:

WHEREAS, the Company executed and delivered to the Trustee an Indenture, dated as of December 24, 2012, by and between the Company and the Trustee, pursuant to which the Company’s 7.875% Senior Secured Notes Due 2019 (the “Notes”) were issued (the “Indenture”);

WHEREAS, Section 9.02 of the Indenture provides that the Company and the Trustee may amend or supplement the Indenture and the Notes, with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with the purchase of, or tender offer or exchange offer for, the Notes);

WHEREAS, the Company distributed a consent solicitation statement dated May 9, 2014 (the “Statement”), in order to, among other things, subject to the terms and conditions set forth in the Statement, solicit consents from Holders to certain amendments to the Indenture and the Notes (the “Consent Solicitation”);

WHEREAS, in connection with the Consent Solicitation, the Company has commenced an exchange offer (the “Exchange Offer”) of up to \$350,000,000 aggregate principal amount of its 7.750% Senior Notes due 2022 for a portion of outstanding Notes;

WHEREAS, the Holders of at least a majority in aggregate principal amount of the outstanding Notes have duly consented to the proposed modifications set forth in this First Supplemental Indenture in accordance with Section 9.02 of the Indenture;

WHEREAS, the Company and the Trustee are authorized to execute and deliver this First Supplemental Indenture; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this First Supplemental Indenture and to make this First Supplemental Indenture valid and binding have been complied with or performed.

NOW, THEREFORE, in consideration of the foregoing and notwithstanding any provision of the Indenture which, absent this First Supplemental Indenture, might operate to limit such action, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE ONE

AMENDMENTS

SECTION 1.01 *Amendments to Definitions*. The definition of “Consolidated Net Income” in Section 1.01 of the Indenture is hereby amended and restated in its entirety as follows:

“**Consolidated Net Income**” means, for any period, the aggregate net income (or loss) of the Company and its Subsidiaries for such period determined on a consolidated basis in conformity with GAAP, *provided* that the following (without duplication) will be excluded in computing Consolidated Net Income:

- (1) the net income (or loss) of any Person that is not a Guarantor, *provided, however*, that dividends or other distributions actually paid in cash to the Company or any of the Guarantors by such Person during such period shall be included;

- (2) any net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition;
- (3) any net after-tax gains or losses attributable to or associated with the extinguishment of Debt or Hedging Agreements;
- (4) the cumulative effect of a change in accounting principles;
- (5) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, or grants or sales of stock, stock appreciation or similar rights, stock options, restricted stock, preferred stock or other rights;
- (6) to the extent covered by insurance and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business interruption;
- (7) any expenses or charges related to any issuance of Equity Interests, acquisition, disposition, recapitalization or issuance, repayment, refinancing, amendment or modification of Debt (including amortization or write offs of debt issuance or deferred financing costs, premiums and prepayment penalties), in each case, whether or not successful, including any such expenses or charges attributable to the issuance and sale of the Notes and the consummation of the exchange offer pursuant to the Registration Rights Agreement;
- (8) any expenses or reserves for liabilities to the extent that the Company or any Subsidiary of the Company is entitled to indemnification therefor under binding agreements; *provided* that any liabilities for which the Company or such Subsidiary is not actually indemnified shall reduce Consolidated Net Income in the period in which it is determined that the Company or such Subsidiary will not be indemnified;
- (9) to the extent specifically included in the unconsolidated Statement of Operations of the Company, (a) unrealized gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP shall be excluded (until realized, at which time such gains or losses shall be included); and (b) unrealized gains and losses with respect to hedging obligations for currency exchange risk shall be excluded (until realized, at which time such gains or losses shall be included); and
- (10) to the extent specifically included in the unconsolidated Statement of Operations of the Company, any charges resulting from the application of FASB ASC 350, Intangibles—Goodwill and Other, ASC 815, Accounting for Derivative Instruments and Hedging Activities, Accounting Standards Codification Topic 360-10-35-15, Impairment or Disposal of Long-Lived Assets, Accounting Standards Codification Topic 480-10-25-4, Distinguishing Liabilities from Equity—Overall Recognition, or Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures, the amortization of intangibles arising pursuant to FASB ASC 805, Business Combinations, non-cash interest expense resulting from the application of Accounting Standards Codification Topic 470-20 Debt—Debt with Conversion Options—Recognition, and any non-cash income tax expense that results from the inability to include deferred tax liabilities related to indefinite lived intangible assets as future reversals of temporary differences under FASB ASC 740-10-30-18, non-cash charges arising from the springing maturity feature of any Debt, and restructuring and related charges and acquisition and related integration charges.

(a) Section 4.07(a) of the Indenture is hereby amended and restated in its entirety as follows:

(a) The Company will not, and, to the extent within the Company's control, will not permit any of its Subsidiaries (including any Guarantor) to, directly or indirectly (the payments and other actions described in the following clauses being collectively "**Restricted Payments**"):

(i) declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in the Company's Qualified Equity Interests) held by Persons other than the Company or any of its Subsidiaries;

(ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company held by Persons other than the Company or any of its Subsidiaries;

(iii) repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt of the Company or any Guarantor except a payment of interest or principal at Stated Maturity; or

(iv) make any Investment in any direct or indirect parent of the Company;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) no Default has occurred and is continuing,

(2) the Company could incur at least \$1.00 of Debt under paragraph (b)(1) of Section 4.06, and

(3) the aggregate amount expended for all Restricted Payments made on or after the January 21, 2014 would not, subject to paragraph (c), exceed the sum of

(A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning with the first fiscal quarter commencing after the January 21, 2014 and ending on the last day of the Company's most recently completed fiscal quarter for which internal financial statements are available, plus

(B) subject to paragraph (c), the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Company (other than from a Subsidiary) after the January 21, 2014

(i) from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of the Company, or

(ii) as a contribution to its common equity (other than Equity Interests sold to a Subsidiary), plus

(C) \$30,000,000.

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the Company's Board of Directors, whose determination will be conclusive and evidenced by a Board Resolution.

(b) Section 4.07(b)(6) of the Indenture is hereby amended and restated in its entirety as follows:

(6) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company held by officers, directors or employees or former officers, directors or employees (or their estates or beneficiaries under their estates), upon death, disability, retirement, severance or termination of employment or pursuant to any agreement under which the Equity Interests were issued; *provided* that the aggregate cash consideration paid therefor in any fiscal year, commencing with the fiscal year during which the Issue Date occurred, does not exceed an aggregate amount equal to the sum of (x) \$25,000,000 and (y) the amount of Restricted Payments permitted but not made pursuant to this clause (6) in prior fiscal years commencing with the fiscal year during which the Issue Date occurred, *provided* that no more than \$50,000,000 may be carried forward from a fiscal year to the next succeeding fiscal year such that the aggregate amount of cash consideration paid pursuant to this clause (6) in any fiscal year shall not exceed \$50,000,000;

(c) The following subsection is hereby inserted into Section 4.07(b) of the Indenture in numerical order:

(14) the purchase, redemption or other acquisition or retirement for value of Equity Interests of the Company in an aggregate amount not to exceed \$100,000,000.

(d) Section 4.07(c) of the Indenture is hereby amended and restated in its entirety as follows:

(c) Proceeds of the issuance of Qualified Equity Interests will be included under clause (3) of paragraph (a) only to the extent they are not applied as described in clause (4) or (5) of paragraph (b). Restricted Payments permitted pursuant to clauses (2) through (9), (11), (12) and (14) will not be included in making the calculations under clause (3) of paragraph (a).

(d) Section 4.07(d) of the Indenture is hereby amended and restated in its entirety as follows:

(d) For purposes of determining compliance with this Section 4.07, in the event that a proposed Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (14) above, or is entitled to be incurred pursuant to paragraph (a) of this Section 4.07, the Company will be entitled to divide, classify or re-classify (based on circumstances existing at the time of such re-classification) such Restricted Payment (or portion thereof) in any manner that complies with this Section 4.07 and such Restricted Payment will be treated as having been made pursuant to only such clause or clauses or the paragraph (a) of this Section 4.07.

ARTICLE TWO

MISCELLANEOUS

SECTION 2.01 *Effect of Supplemental Indenture*. Except as amended hereby, all of the terms of the Indenture shall remain and continue in full force and effect and are hereby confirmed in all respects. From and after the date of this First Supplemental Indenture, all references to the Indenture (whether in the Indenture or in any other agreements, documents or instruments) shall be deemed to be references to the Indenture as amended and supplemented by this First Supplemental Indenture.

SECTION 2.02 *Effectiveness*. The provisions of this First Supplemental Indenture shall be effective only upon execution and delivery of this instrument by the parties hereto. Notwithstanding the foregoing sentence, the provisions of this First Supplemental Indenture shall become operative only at such time as Notes validly tendered (and not validly withdrawn), as of the Exchange Offer's early tender deadline and subject to pro ration as described in the Statement, are accepted for exchange by the Company pursuant to the Exchange Offer, with the result that the amendments to the Indenture effective by this First Supplemental Indenture shall be deemed to be revoked retroactively to the date hereof if such purchase shall not occur.

SECTION 2.02 *Governing Law*. THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY OTHER CONFLICTS OF LAW PROVISIONS.

SECTION 2.03 *No Representations by Trustee*. The Trustee accepts the amendments of the Indenture effected by this First Supplemental Indenture, but on the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee. Without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Company, or for or with respect to (i) the validity or sufficiency of this First Supplemental Indenture or any of the terms or provisions hereof, (ii) the proper authorization hereof by the Company by action or otherwise, (iii) the due execution hereof by the Company or (iv) the consequences of any amendment herein provided for, and the Trustee makes no representation with respect to any such matters.

SECTION 2.04 *Counterparts*. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall constitute but one and the same instrument.

SECTION 2.05 *Ratification of Indenture; Supplemental Indenture Part of Indenture*. Except as expressly amended hereby, the Indenture and the Notes issued thereunder are in all respects ratified and confirmed, and all of the terms, conditions and provisions thereof shall remain in full force and effect. This First Supplemental Indenture is executed as, and shall constitute an indenture supplemental to the Indenture and shall be construed in connection with and form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date hereof.

HARBINGER GROUP INC.
as Issuer

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee

By: _____
Name:
Title:

[Signature Page to First Supplemental Indenture]

Harbinger Group Inc. Announces Actions Intended to Strengthen Capital Structure

- Launches consent solicitation to amend the indenture governing its senior secured notes to provide greater flexibility to repurchase its outstanding common stock; as of today, the holders of a majority principal amount have committed their consents to the amendment
- Launches offer to exchange a portion of its existing senior secured notes due 2019 for its existing unsecured notes due 2022
- Announces authorization for to purchase up to \$100 million of its common stock, subject to effectiveness of the indenture amendments and other conditions

New York, NY – May 14, 2014 – Harbinger Group Inc. (“HGI” or the “Company”; NYSE: HRG) today announced that it is soliciting (the “Consent Solicitation”) the holders of its 7.875% Senior Secured Notes due 2019 (the “Secured Notes”) to amend (the “Proposed Amendments”) the indenture governing the Secured Notes (the “Secured Indenture”) to provide the Company with, among other things, greater flexibility to repurchase or redeem its outstanding common stock. The terms and conditions of the Consent Solicitation are described in the consent solicitation statement dated May 9, 2014 (the “Statement”). As of today’s date, the beneficial holders of a majority of principal amount of the outstanding Secured Notes had committed to consent to the Proposed Amendments. Such beneficial owners were not paid a consent fee by HGI and will have the right to participate pro-rata with other holders of the Secured Notes in the Offer (as defined below).

Concurrently with the Consent Solicitation, the Company commenced an offer (the “Offer”) to exchange a portion of its outstanding Secured Notes for up to \$350,000,000 aggregate principal amount (the “Tender Cap”) of new 7.750% Senior Notes due 2022 (the “Additional Unsecured Notes”). The terms and conditions of the Offer are described in the offering memorandum, dated May 14, 2014, and the related letter of transmittal (the “Offer Documents”). The Proposed Amendments will not be operative until the Company’s acceptance, subject to any required proration, of the Secured Notes validly tendered (and not validly withdrawn) as of the Early Tender Time (as defined below). The Proposed Amendments will be reflected in a supplemental indenture (the “Supplemental Indenture”) with Wells Fargo Bank, National Association, the trustee under the Secured Indenture.

If the Proposed Amendments become operative, the Company will have the ability to purchase HGI common stock pursuant to a new \$100 million share repurchase program authorized by the Company’s board of directors. The repurchase program authorizes purchases to be made from time to time in one or more open market or private transactions. The manner of purchase, the number of shares to be purchased and the timing of purchases will be based on the price of HGI’s common stock, general business and market conditions and applicable legal requirements, and is subject to the discretion of HGI’s management. The program does not require HGI to purchase any specific number of shares or any shares at all, and may be suspended, discontinued or re-instituted at any time without prior notice. The Company may fund any such repurchase with cash on hand or other borrowings.

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, each eligible registered holder of Secured Notes (each, a “Holder”) who validly tenders Secured Notes at or prior to 5:00 pm, New York City time, on

Wednesday, May 28, 2014 (unless extended or earlier terminated, the “Early Tender Time”) and does not validly withdraw its tender prior to Wednesday, May 28, 2014 (unless extended or earlier terminated, the “Withdrawal Deadline”) will receive the Total Consideration (as defined below, which includes an early tender payment of \$50 principal amount of Additional Unsecured Notes) for Secured Notes accepted in the Offer.

Subject to the terms and conditions set forth in the Offer Documents and subject to the Tender Cap and any required proration, eligible Holders who validly tender Secured Notes after 5:00 pm, New York City time, on Wednesday, May 28, 2014 and at or prior to 11:59 pm, New York City time (unless extended or earlier terminated, the “Expiration Time”), at the end of Wednesday, June 11, 2014 will receive, if the Offer is not fully subscribed as of the Early Tender Time, the Offer Consideration (as defined below) for Secured Notes accepted in the Offer. If the Offer is fully subscribed as of the Early Tender Time, Holders who validly tender Secured Notes after the Early Tender Time will not have any of their Secured Notes accepted for exchange.

The “Total Consideration” means, for each \$1,000 principal amount of Secured Notes tendered and accepted by us, Additional Unsecured Notes in the principal amount, rounded to the nearest cent, of:

$$\begin{array}{r} \$1,092.50 \text{ (plus accrued and unpaid interest on \$1,000} \\ \text{principal amount of Secured Notes from January 15,} \\ \text{2014 to but not including the applicable settlement date)} \\ \$1,000 \times \frac{\hspace{10em}}{\$1,000 \text{ (plus accrued and unpaid interest on \$1,000} \\ \text{principal amount of Additional Unsecured Notes from} \\ \text{January 21, 2014 to but not including the applicable} \\ \text{settlement date)}} \end{array}$$

The “Offer Consideration” means, for each \$1,000 principal amount of Secured Notes tendered and accepted by us, Additional Unsecured Notes in the principal amount, rounded to the nearest cent, of:

$$\begin{array}{r} \$1,042.50 \text{ (plus accrued and unpaid interest on \$1,000} \\ \text{principal amount of Secured Notes from January 15,} \\ \text{2014 to but not including the applicable settlement date)} \\ \$1,000 \times \frac{\hspace{10em}}{\$1,000 \text{ (plus accrued and unpaid interest on \$1,000} \\ \text{principal amount of Additional Unsecured Notes from} \\ \text{January 21, 2014 to but not including the applicable} \\ \text{settlement date)}} \end{array}$$

The applicable settlement date in respect of the Secured Notes that are validly tendered at or prior to the Early Tender Time and not validly withdrawn prior to the Withdrawal Deadline and accepted for exchange, subject to the Tender Cap and any required proration, will be promptly after the Early Tender Time, and is expected to be on or about Friday, May 30, 2014, two

business days following the Early Tender Time, unless the Early Tender Time is extended by the Company in its sole discretion. The applicable settlement date in respect of Secured Notes that are validly tendered after the Early Tender Time but at or prior to the Expiration Time and accepted for exchange, subject to the Tender Cap and any required proration, will be promptly after the Expiration Time and is expected to be on or about Friday, June 13, 2014, two business days following the Expiration Time, unless the related Offer is extended by the Company in its sole discretion. Tendered Secured Notes may be withdrawn in accordance with the terms of the Offer prior to the Withdrawal Deadline.

The Company has retained Credit Suisse Securities (USA) LLC as its exclusive financial advisor in connection with the Offer and consent solicitation (the "Financial Advisor").

D.F. King & Co., Inc. will act as the Information Agent and the Exchange Agent for the Offer and Wells Fargo Bank, National Association will act as the Tabulation Agent for the Consent Solicitation. Questions regarding the Offer, including documentation, should be directed to D.F. King & Co., Inc. at (800) 431-9633 (toll-free). Questions regarding the Consent Solicitation, including documentation, should be directed to Wells Fargo Bank, National Association at (917) 260-1550 or (612) 667-0337.

None of the representatives, directors, officers or employees of the Company, any of its subsidiaries or affiliates, the Financial Advisor, the Tabulation Agent, the Exchange Agent, Information Agent or Wells Fargo Bank, National Association, as trustee under the Secured Indenture, make any recommendations as to whether or not holders of the Secured Notes should issue their consents pursuant to the Consent Solicitation or tender their Secured Notes in the Offer, and no one has been authorized by any of them to make such recommendations.

This press release does not constitute a solicitation of consents of holders of the Secured Notes and shall not be deemed a solicitation of consents with respect to any other securities of the Company. The Offer and the Consent Solicitation will be made solely by the Offer Documents and the Statement and the accompanying consent form. All statements herein regarding the terms of the Offer and the Consent Solicitation, the Proposed Amendments, the Supplemental Indenture and the Secured Indenture are qualified in their entirety by reference to the text of the Offer Documents and the Statement and the accompanying consent form and the Secured Indenture. The completion of the Offer and the Consent Solicitation and the execution of the Supplemental Indenture is subject to a number of conditions. No assurance can be given that any such Consent Solicitation can or will be completed on terms that are acceptable to the Company, or at all, or that the Supplemental Indenture will become operative.

About Harbinger Group Inc.

Harbinger Group Inc. is a diversified holding company. HGI's principal operations are conducted through companies that: offer life insurance and annuity products; offer branded consumer products (such as consumer batteries, residential locksets, residential builders' hardware, faucets, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn, garden and home pest control products, personal insect repellents); provide asset-backed loans; and own energy assets. HGI is principally focused on acquiring controlling and other equity stakes in businesses across a diversified range of

industries and growing its existing businesses. In addition to HGI's intention to acquire controlling equity interests, HGI may also make investments in debt instruments and acquire minority equity interests in companies. HGI is headquartered in New York and traded on the New York Stock Exchange under the symbol HRG. For more information on HGI, visit: www.harbingergroupinc.com.

Forward Looking Statements

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: This release contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements, including those statements regarding the transactions described herein. These statements are based on the beliefs and assumptions of HGI's management and the management of HGI's subsidiaries (including target businesses). Generally, forward-looking statements include information concerning the transactions described herein, other actions, events, results, strategies and expectations and are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions. Factors that could cause actual results, events and developments to differ include, without limitation, the Offer not being consummated, the Proposed Amendments not becoming operative, a change in the Company's current intention to repurchase its common stock, capital market conditions, the ability of HGI's subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, HGI and its subsidiaries ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HGI or HGI subsidiaries, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, changes in regulations, taxes and the risks that may affect the performance of the operating subsidiaries of HGI and those factors listed under the caption "Risk Factors" in HGI's most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, filed with the Securities and Exchange Commission. All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. HGI does not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operation results.

Source: Harbinger Group Inc.

Investors:

Harbinger Group Inc.
James Hart, 212-906-8560
Investor Relations
investorrelations@harbingergroupinc.com

or

Media:

Sard Verbinnen & Co
Jamie Tully / David Millar, 212-687-8080