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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

OR

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

Commission File No. 001-35210

HC2 HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**54-1708481**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
505 Huntmar Park Drive, Suite 325 **Herndon, VA**	**20170**
(Address of principal executive offices)	**(Zip Code)**

(703) 865-0700
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of July 31, 2015**
Common Stock, $0.001 par value	25,592,356

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HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Services revenue	$ 147,841	$ 42,111	$ 221,559	$ 85,465
Sales revenue	133,141	54,475	261,231	54,475
Net revenue	280,982	96,586	482,790	139,940
Operating expenses:				
Cost of revenue - services	134,589	39,530	196,509	80,637
Cost of revenue - sales	110,909	43,330	221,445	43,330
Selling, general and administrative	26,476	14,032	49,529	20,236
Depreciation and amortization	5,236	344	10,242	554
Loss on sale or disposal of assets	498	447	971	367
Total operating expenses	277,708	97,683	478,696	145,124
Income (loss) from operations	3,274	(1,097)	4,094	(5,184)
Interest expense	(10,041)	(1,012)	(18,649)	(1,013)
Amortization of debt discount	(84)	(576)	(176)	(576)
Other income (expense), net	(4,937)	1,665	(4,744)	1,616
Foreign currency transaction gain (loss)	1,822	437	1,051	403
Loss from continuing operations before income (loss) from equity investees and income tax benefit (expense)	(9,966)	(583)	(18,424)	(4,754)
Income (loss) from equity investees	1,429	-	(1,259)	-
Income tax benefit (expense)	(2,464)	(1,946)	3,369	(1,955)
Loss from continuing operations	(11,001)	(2,529)	(16,314)	(6,709)
Gain (loss) from discontinued operations	(11)	27	(20)	44
Loss from sale of discontinued operations	-	-	-	(784)
Net loss	(11,012)	(2,502)	(16,334)	(7,449)
Less: Net (income) loss attributable to noncontrolling interest	(204)	(1,059)	57	(1,059)
Net loss attributable to HC2 Holdings, Inc.	(11,216)	(3,561)	(16,277)	(8,508)
Less: Preferred stock dividends and accretion	1,089	200	2,177	200
Net loss attributable to common stock and participating preferred stockholders	$ (12,305)	$ (3,761)	$ (18,454)	$ (8,708)
Basic loss per common share:				
Loss from continuing operations attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.50)
Gain (loss) from discontinued operations	-	-	-	-
Loss from sale of discontinued operations	-	-	-	(0.05)
Net loss attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.55)
Diluted loss per common share:				
Loss from continuing operations attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.50)
Gain (loss) from discontinued operations	-	-	-	-
Loss from sale of discontinued operations	-	-	-	(0.05)
Net loss attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.55)
Weighted average common shares outstanding:				
Basic	25,514	16,905	24,838	15,780
Diluted	25,514	16,905	24,838	15,780

See accompanying notes to condensed consolidated financial statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net loss	$ (11,012)	$ (2,502)	$ (16,334)	$ (7,449)
Other comprehensive income (loss)				
Foreign currency translation adjustment	2,489	238	(1,872)	(136)
Unrealized gain (loss) on available-for-sale securities, net of tax	(2,327)	-	(3,089)	-
Less: Comprehensive (income) loss attributable to the noncontrolling interest	(204)	(1,059)	57	(1,059)
Comprehensive income (loss) attributable to HC2 Holdings, Inc.	$ (11,054)	$ (3,323)	$ (21,238)	$ (8,644)

See accompanying notes to condensed consolidated financial statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 68,941	$ 107,978
Short-term investments	12,265	4,867
Accounts receivable (net of allowance for doubtful accounts receivable of $2,345 and $2,760 at June 30, 2015 and December 31, 2014, respectively)	214,027	151,558
Costs and recognized earnings in excess of billings on uncompleted contracts	35,573	28,098
Deferred tax asset - current	1,701	1,701
Inventories	17,796	14,975
Prepaid expenses and other current assets	23,746	22,455
Assets held for sale	8,597	3,865
Total current assets	382,646	335,497
Restricted cash	7,188	6,467
Long-term investments	71,793	48,674
Property, plant and equipment, net	235,862	239,851
Goodwill	29,649	27,990
Other intangible assets, net	27,987	31,144
Deferred tax asset - long-term	20,998	15,811
Other assets	18,429	18,614
Total assets	$ 794,552	$ 724,048
Liabilities, temporary equity and stockholders' equity		
Current liabilities:		
Accounts payable	$ 81,644	$ 79,794
Accrued interconnection costs	31,551	9,717
Accrued payroll and employee benefits	19,222	20,023
Accrued expenses and other current liabilities	51,640	34,042
Billings in excess of costs and recognized earnings on uncompleted contracts	29,859	41,959
Accrued income taxes	912	512
Accrued interest	2,847	3,125
Current portion of long-term debt	12,752	10,444
Current portion of pension liability	6,037	5,966
Total current liabilities	236,464	205,582
Long-term debt	374,321	332,927
Pension liability	28,501	31,244
Other liabilities	7,754	1,617
Total liabilities	647,040	571,370
Commitments and contingencies (See Note 11)		
Temporary equity (See Note 13)		
Preferred stock, $0.001 par value – 20,000,000 shares authorized; Series A - 30,000 shares issued and outstanding at June 30, 2015 and December 31, 2014; Series A-1 - 10,000 and 11,000 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively; Series A-2 - 14,000 and 0 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	53,013	39,845
Stockholders' equity:		
Common stock, $0.001 par value – 80,000,000 shares authorized; 25,623,982 and 23,844,711 shares issued and 25,592,356 and 23,813,085 shares outstanding at June 30, 2015 and December 31, 2014, respectively	26	24
Additional paid-in capital	150,537	147,081
Accumulated deficit	(58,157)	(41,880)
Treasury stock, at cost – 31,626 shares at June 30, 2015 and December 31, 2014, respectively	(378)	(378)
Accumulated other comprehensive loss	(20,139)	(15,178)
Total HC2 Holdings, Inc. stockholders' equity before noncontrolling interest	71,889	89,669
Noncontrolling interest	22,610	23,164
Total stockholders' equity	94,499	112,833
Total liabilities, temporary equity and stockholders' equity	$ 794,552	$ 724,048

See accompanying notes to condensed consolidated financial statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Total	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance as of December 31, 2013	$ 54,409	14,226	$ 14	$ 98,598	$ (378)	$ (29,773)	$ (14,052)	$ -
Share-based compensation expense	1,006	-	-	1,006	-	-	-	-
Proceeds from the exercise of warrants and stock options	14,368	4,786	5	14,363	-	-	-	-
Taxes paid in lieu of shares issued for share-based compensation	(41)	-	-	(41)	-	-	-	-
Preferred stock dividend and accretion	(200)			(200)	-	-	-	-
Issuance of common stock	6,000	1,500	2	5,998	-	-	-	-
Acquisition of noncontrolling interest	58,012	-	-	-	-	-	-	58,012
Additional acquisition of noncontrolling interest	(13,399)	-	-	-	-	-	-	(13,399)
Net (loss) income	(7,449)	-	-	-	-	(8,508)	-	1,059
Foreign currency translation adjustment	(136)	-	-	-	-	-	(136)	-
Balance as of June 30, 2014	$ 112,570	20,512	$ 21	$ 119,724	$ (378)	$ (38,281)	$ (14,188)	$ 45,672

	Total	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest
Balance as of December 31, 2014	$ 112,833	23,813	$ 24	$ 147,081	$ (378)	$ (41,880)	$ (15,178)	$ 23,164
Share-based compensation expense	4,599	-	-	4,599	-	-	-	-
Dividend paid to noncontrolling interest	(241)	-	-	-	-	-	-	(241)
Preferred stock dividend and accretion	(2,177)	-	-	(2,177)	-	-	-	-
Issuance of common stock	-	5	-	-	-	-	-	-
Issuance of restricted stock	2	1,539	2	-	-	-	-	-
Conversion of preferred stock to common stock	1,000	235	-	1,000	-	-	-	-
Acquisition of noncontrolling interest	(222)	-	-	-	-	-	-	(222)
Excess book value over fair value of purchased noncontrolling interest	-	-	-	34	-	-	-	(34)
Net loss	(16,334)	-	-	-	-	(16,277)	-	(57)
Foreign currency translation adjustment	(1,872)	-	-	-	-	-	(1,872)	-
Unrealized gain (loss) on available-for-sale securities, net of tax	(3,089)	-	-	-	-	-	(3,089)	-
Balance as of June 30, 2015	$ 94,499	25,592	$ 26	$ 150,537	$ (378)	$ (58,157)	$ (20,139)	$ 22,610

See accompanying notes to condensed consolidated financial statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (16,334)	$ (7,449)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for doubtful accounts receivable	201	(198)
Share-based compensation expense	4,599	1,006
Depreciation and amortization	14,049	1,038
Amortization of deferred financing costs	696	262
(Gain) loss on sale or disposal of assets	971	1,760
(Gain) loss on sale of investments	(164)	(437)
Equity investment (income)/loss	1,259	-
Amortization of debt discount	176	576
Deferred income taxes	(4,881)	1
Other, net	198	-
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	(46)	(125)
Changes in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	(61,495)	11,936
(Increase) decrease in costs and recognized earnings in excess of billings on uncompleted contracts	(7,229)	1,389
(Increase) decrease in inventories	(2,718)	(2,503)
(Increase) decrease in prepaid expenses and other current assets	(778)	6,241
(Increase) decrease in other assets	379	929
Increase (decrease) in accounts payable	455	6,304
Increase (decrease) in accrued interconnection costs	21,041	(2,896)
Increase (decrease) in accrued payroll and employee benefits	4	728
Increase (decrease) in accrued expenses and other current liabilities	16,739	(213)
Increase (decrease) in billings in excess of costs and recognized earnings on uncompleted contracts	(12,119)	(7,766)
Increase (decrease) in accrued income taxes	1,500	(1,291)
Increase (decrease) in accrued interest	(278)	634
Increase (decrease) in other liabilities	(972)	(856)
Increase (decrease) in pension liability	(3,144)	-
Net cash (used in) provided by operating activities	(47,891)	9,070
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,914)	(663)
Sale of property and equipment and other assets	1,002	80
Purchase of equity investments	(8,643)	-
Sale of equity investments	1,026	-
Sale of assets held for sale	1,479	-
Purchase of available-for-sale securities	(10,857)	-
Sale of available-for-sale securities	-	423
Investment in debt securities	(19,347)	-
Cash paid for business acquisitions, net of cash acquired	-	(85,627)
Purchase of noncontrolling interest	(222)	(5,000)
(Increase) decrease in restricted cash	(721)	-
Net cash used in investing activities	(49,197)	(90,787)
Cash flows from financing activities:		
Proceeds from long-term obligations	294,346	123,412
Principal payments on long-term obligations	(245,724)	(57,703)
Payment of fees on restructuring of debt	-	(812)
Payment of deferred financing costs	(1,137)	-
Proceeds from sale of common stock, net	-	6,000
Proceeds from sale of preferred stock, net	14,033	29,075
Proceeds from the exercise of warrants and stock options	-	14,368
Payment of dividends	(2,038)	-
Payment of dividend equivalents	-	(551)
Taxes paid in lieu of shares issued for share-based compensation	-	(41)
Net cash provided by financing activities	59,480	113,748
Effects of exchange rate changes on cash and cash equivalents	(1,429)	(197)
Net change in cash and cash equivalents	(39,037)	31,834
Cash and cash equivalents, beginning of period	107,978	8,997
Cash and cash equivalents, end of period	$ 68,941	$ 40,831
Supplemental cash flow information:		
Cash paid for interest	$ 20,157	$ 194
Cash paid for taxes	$ 856	$ 2,311
Preferred stock dividends and accretion	$ 2,177	$ -

Non-cash investing and financing activities:				
Purchases of property, plant and equipment under financing arrangements	$	1,808	$	-
Property, plant and equipment included in accounts payable	$	822	$	-
Conversion of preferred stock to common stock	$	1,000	$	-

See accompanying notes to condensed consolidated financial statements.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION AND BUSINESS

HC2 Holdings, Inc. ("HC2" and, together with its subsidiaries, the "Company", "we" and "our") is a diversified holding company which seeks to acquire and grow attractive businesses that we believe can generate long-term sustainable free cash flow and attractive returns. While the Company generally intends to acquire controlling equity interests in its operating subsidiaries, the Company may invest to a limited extent in a variety of debt instruments or minority equity interest positions. The Company's shares of common stock trade on the NYSE MKT LLC under the symbol "HCHC".

The Company currently has six reportable segments based on management's organization of the enterprise—Manufacturing, Marine Services, Utilities, Telecommunications, Life Sciences and Other, which includes operations that do not meet the separately reportable segment thresholds.

Our Manufacturing segment includes Schuff International, Inc. ("Schuff") and its wholly-owned subsidiaries, which primarily operate as integrated fabricators and erectors of structural steel and heavy steel plates with headquarters in Phoenix, Arizona. Schuff's has operations in Arizona, Georgia, Texas, Kansas and California, with its construction projects primarily located in the aforementioned states. In addition, Schuff has construction projects in select international markets, primarily Panama through a Panamanian joint venture with Empresas Hopsa, S.A. that provides steel fabrication services.

Our Marine Services segment includes Global Marine Systems Limited ("GMSL"). GMSL is a leading provider of engineering and underwater services on submarine cables. In conjunction with the acquisition, approximately 3% of the Company's interest in GMSL was purchased by a group of individuals, leaving the Company's controlling interest at approximately 97%.

Our Utilities segment includes American Natural Gas ("ANG"), which is a premier distributor of natural gas motor fuel headquartered in the Northeast that designs, builds, owns, acquires, operates and maintains compressed natural gas fueling stations for transportation vehicles.

In our Telecommunications segment, we operate a telecommunications business including a network of direct routes and provide premium voice communication services for national telecom operators, mobile operators, wholesale carriers, prepaid operators, Voice over Internet Protocol ("VoIP") service operators and Internet service providers ("ISPs") from our International Carrier Services ("ICS") business unit.

In our Life Sciences segment, we operate Pansend, LLC ("Pansend"), which has an 80% interest in Genovel Orthopedics, Inc., which seeks to develop products to treat early osteoarthritis of the knee, and a 61% interest in R2 Dermatology (f/k/a "GemDerm Aesthetics, Inc."), which develops skin lightening technology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such principles and regulations. In the opinion of management, the financial statements reflect all adjustments (all of which are of a normal and recurring nature), which are necessary to present fairly the financial position, results of operations, cash flows and comprehensive income (loss) for the interim periods. The results for the Company's three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's most recently filed Annual Report on Form 10-K.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED
(UNAUDITED)

Principles of Consolidation—The condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and all other subsidiaries over which the Company exerts control. All intercompany profits, transactions and balances have been eliminated in consolidation. As of June 30, 2015, the Company has a 97% interest in GMSL, a 91% interest in Schuff, a 53% interest in ANG and a 100% interest in DMi, Inc. Through its subsidiary, Pansend, the Company has an 80% interest in Genovel Orthopedics, Inc. and a 61% interest in R2 Dermatology (f/k/a GemDerm Aesthetics, Inc.). The results of each of these entities are consolidated with the Company's results from and after their respective acquisition dates based on guidance from the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 810, "Consolidation" ("ASC 810"). The remaining interests not owned by the Company are presented as a noncontrolling interest component of total equity. Schuff uses a 4-4-5 week quarterly cycle, which for the second quarter of 2015 ended on June 28, 2015.

Reclassification —Certain previous year amounts have been reclassified to conform with current year presentations related to the reporting of new balance sheet line items.

Newly Adopted Accounting Principles

In April 2014, an update was issued to the Presentation of Financial Statements Topic No. 205 and Property, Plant and Equipment Topic No. 360, Accounting Standards Update ("ASU") 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which changes the criteria for reporting discontinued operations. The ASU revises the definition of a discontinued operation and expands the disclosure requirements. Entities should not apply the amendments to a component of an entity that is classified as held for sale before the effective date even if it is disposed of after the effective date. That is, the ASU must be adopted prospectively. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been previously reported in the financial statements. On January 1, 2015, the Company adopted this update, which did not have a material impact on the condensed consolidated financial statements.

New Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-08, "Business Combinations Topic No. 805: Pushdown Accounting-Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115 (SEC Update)", which rescinds certain SEC guidance in order to confirm with ASU 2014-17, "Pushdown Accounting" ("ASU 2014-17"). ASU 2014-17 was issued in November 2014 and provides a reporting entity that is a business or nonprofit activity (an "acquiree") the option to apply pushdown accounting to its separate financial statements when an acquirer obtains control of the acquiree. Early adoption is permitted. The Company's effective date for adoption is January 1, 2016. The Company does not expect this accounting update to have a material effect on its consolidated financial statements in future periods, although that could change.

In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs", which requires that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the amendments, debt issuance costs were presented as a deferred charge (i.e., an asset) on the balance sheet. This ASU provides examples illustrating the balance sheet presentation of notes net of their related discounts and debt issuance costs. Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. Similarly, debt issuance costs and any discount or premium are considered in the aggregate when determining the effective interest rate on the debt. The Company's effective date for adoption is January 1, 2016. The Company does not expect this accounting update to have a material effect on its consolidated financial statements in future periods, although that could change.

In February 2015, the FASB issued ASU 2015-02, "Amendments to the Consolidation Analysis", which amends the consolidation requirements in ASC 810 and significantly changes the consolidation analysis required under U.S. GAAP relating to whether or not to consolidate certain legal entities. Early adoption is permitted. The Company's effective date for adoption is January 1, 2016. The Company does not expect this accounting update to have a material effect on its consolidated financial statements in future periods, although that could change.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", which eliminates the concept from U.S. GAAP the concept of an extraordinary item. Under the ASU, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. Early adoption is permitted. The Company's effective date for adoption is January 1, 2016. The Company does not expect this accounting update to have a material effect on its consolidated financial statements in future periods, although that could change.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED
(UNAUDITED)

3. BUSINESS COMBINATIONS

The Company's acquisitions were accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Estimates of fair value included in the condensed consolidated financial statements, in conformity with ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), represent the Company's best estimates and valuations developed with the assistance of independent appraisers and, where such valuations have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. The following estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill. In accordance with ASC 805 "Business Combinations", if additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), including finalization of asset appraisals, the Company will refine its estimates of fair value to allocate the purchase price more accurately.

Schuff

On May 29, 2014, the Company completed the acquisition of 2.5 million shares of common stock of Schuff, a steel fabrication and erection company and negotiated an agreement to purchase an additional 198,411 shares, representing an approximately 65% interest in Schuff. Schuff repurchased a portion of its outstanding common stock in June 2014, which had the effect of increasing the Company's ownership interest to 70%. During the fourth quarter of 2014 and first quarter of 2015, the final results of a tender offer for all outstanding shares of Schuff were announced and various open-market purchases were made, which resulted in the acquisition of 815,843 shares and an increase in our ownership interest to 91%. The Company acquired Schuff to expand the business that it engages in and saw Schuff as an opportunity to enter the steel fabrication and erection market.

The table below summarizes the fair value of the Schuff assets acquired and liabilities assumed as of the acquisition date. The Company purchased 2.5 million shares of common stock of Schuff for $78.75 million. The purchase price of Schuff was valued at $31.50 per share which represented both the cash paid by the Company for its 60% interest, and the fair value of the noncontrolling interest of 40%.

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The purchase price allocation is as follows (in thousands):

Cash and cash equivalents	$ (627)
Investments	1,714
Accounts receivable	130,622
Costs and recognized earnings in excess of billings on uncompleted contracts	27,126
Prepaid expenses and other current assets	3,079
Inventories	14,487
Property and equipment, net	85,662
Goodwill	24,490
Trade names	4,478
Other assets	2,947
Total assets acquired	293,978
Accounts payable	37,621
Accrued payroll and employee benefits	11,668
Accrued expenses and other current liabilities	12,532
Billings in excess of costs and recognized earnings on uncompleted contracts	65,985
Accrued income taxes	1,202
Accrued interest	76
Current portion of long-term debt	15,460
Long-term debt	4,375
Deferred tax liability	7,693
Other liabilities	604
Noncontrolling interest	4,365
Total liabilities assumed	161,581
Enterprise value	132,397
Less fair value of noncontrolling interest	53,647
Purchase price attributable to controlling interest	$ 78,750

The acquisition of Schuff resulted in goodwill of approximately $24.5 million. Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was recognized as a new stand-alone reporting unit. Goodwill is not amortized and is not deductible for tax purposes.

Amortizable Intangible Assets

The trade name was valued using a relief from royalty methodology. An estimated 60% of revenue is generated from Schuff's relationship with general contractors. Thus, a value of the Schuff trade name was calculated based on the present value of Schuff's projected revenues for 15 years multiplied by 60%. The trade name was valued at $4.5 million and is being amortized over a 15 year life.

ASC 810 requires that transactions that result in an increase in ownership of a subsidiary be accounted for as equity transactions. The carrying amount of the noncontrolling interest is adjusted to reflect the controlling interest's decreased ownership interest in the subsidiary's net assets and any difference between the consideration paid by the parent to a noncontrolling interest holder (or contributed by the parent to the net assets of the subsidiary) and the adjustment to the carrying amount of the noncontrolling interest in the subsidiary is recognized directly in equity attributable to the controlling interest. Due to the increase of the Company's ownership to 91% from the acquisition date through December 31, 2014, the Company recorded an adjustment of Schuff's noncontrolling interest by $3.4 million and recorded as excess book value over fair value of purchased noncontrolling interest in the Company's condensed consolidated statement of stockholders' equity. In the six months ended June 30, 2015, the Company acquired an additional 6,800 shares of Schuff that resulted in less than $0.1 million of excess book value over fair value of purchased noncontrolling interest in the Company's condensed consolidated statement of stockholders' equity. The ownership interest of 91% did not change.

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ANG

On August 1, 2014, the Company paid $15.5 million to acquire 15,500 shares of Series A Convertible Preferred Stock of ANG (the "ANG Preferred Stock"), representing an approximately 51% interest in ANG. The ANG Preferred Stock is convertible into 1,033,333 shares of common stock and also has voting rights. The noncontrolling interest represents 1,000,000 shares of common stock; thereby the Company has a controlling interest. The Company acquired ANG for its strong growth potential which is in line with the Company's strategy to find businesses that it can operate to generate high returns and significant cash flow.

The table below summarizes the preliminary estimate of fair value of the ANG assets acquired and liabilities assumed as of the acquisition date. The purchase price of ANG was valued at $17.7 million which represented both the cash paid by the Company for its 51% interest ($15.5 million), and the fair value of the noncontrolling interest of 49%, which we determined to be $2.2 million.

The preliminary purchase price allocation is as follows (in thousands):

Cash and cash equivalents	$	15,704
Accounts receivable		306
Prepaid expenses and other current assets		31
Inventories		27
Property and equipment, net		1,921
Customer contracts		2,700
Trade names		6,300
Other assets		2
Total assets acquired		26,991
Accounts payable		49
Accrued payroll and employee benefits		5
Accrued expenses and other current liabilities		26
Billings in excess of costs and recognized earnings on uncompleted contracts		114
Current portion of long-term debt		34
Long-term debt		870
Deferred tax liability		3,530
Total liabilities assumed		4,628
Fair value of net assets acquired		22,363
Less purchase price		15,500
Less fair value of noncontrolling interest		2,189
Excess of fair value of net assets over purchase price	$	4,674

The acquisition of ANG resulted in an excess of the fair value of the net assets acquired over the purchase price of $4.7 million. The Company does not believe that the circumstances surrounding the transaction give rise to a bargain purchase. The existing shareholders of ANG continue to manage the day-to-day operations and own the noncontrolling interest. Accordingly, due to the related party nature of the transaction, management has recorded the excess of the fair value of the assets acquired over the purchase price in additional paid-in capital.

Amortizable Intangible Assets

The trade name was valued using a relief from royalty methodology. The value of the ANG trade name was calculated based on ANG's projected revenues for 10 years. An estimated royalty of 4% (looking at other market participants) was calculated net of tax based upon those revenues and present valued over 10 years. The trade name was preliminarily valued at $6.3 million and will be amortized over a 10 year life. Customer contracts were valued using a multi-period excess earnings methodology. The value of the customer contracts ANG holds for its owned and operated facilities was calculated based on the present value of ANG's net income from those contracts for 10 years. The customer contracts were preliminarily valued at $2.7 million and will be amortized over a 10 year life.

GMSL

On September 22, 2014, the Company completed the acquisition of Bridgehouse Marine Limited and its subsidiary, GMSL. The purchase price reflects an enterprise value of approximately $260 million, including assumed indebtedness of approximately $130 million leaving a net enterprise value of approximately $130 million. GMSL is a leading provider of engineering and underwater services on submarine cables. The Company acquired GMSL for its attractive valuation and strong cash position.

The table below summarizes the preliminary estimates of fair value of the GMSL assets acquired and liabilities assumed as of the acquisition date. The net enterprise value of GMSL was valued at $130.4 million which represented both the cash paid by the Company for its 97% interest, and the fair value of the noncontrolling interest of 3%.

The preliminary purchase price allocation is as follows (in thousands):

Cash and cash equivalents	$ 62,555
Accounts receivable	26,183
Prepaid expenses and other current assets	9,886
Inventories	7,395
Restricted cash	4,682
Property and equipment, net	156,976
Customer contracts	7,796
Trade name	1,137
Developed technology	1,624
Investments	24,266
Other assets	7,482
Total assets acquired	309,982
Accounts payable	8,965
Accrued expenses and other current liabilities	34,767
Accrued income taxes	1,251
Current portion of long-term debt	8,140
Long-term debt	78,356
Pension liability	45,923
Deferred tax liability	1,013
Other liabilities	1,179
Total liabilities assumed	179,594
Enterprise value	130,388
Less fair value of noncontrolling interest	3,803
Purchase price attributable to controlling interest	$ 126,585

The values for customer contracts, trade name, developed technology and investments are estimates and may change.

Amortizable Intangible Assets

- Customer contracts were valued using a multi-period excess earnings methodology. Projected revenues and margins were used to forecast the earnings for each contract taking into consideration probabilities of contract renewals. Three customer contracts were preliminarily valued at £4.8 million ($7.8 million using the exchange rate in effect at the time of acquisition) and will be amortized over a 15 year life.

- The trade name was valued using a relief from royalty methodology. Given an element of uncertainty surrounding the GMSL trade name, and consistent with likely market participant use, a probability of continuing use was applied to the projected revenue stream. The trade name was preliminarily valued £0.7 million ($1.1 million using the exchange rate in effect at the time of acquisition) and will be amortized over a 3 year life.

- The developed technology was valued using a relief from royalty methodology. The fair value was estimated based on the revenue attributable to developed technology and the hypothetical royalties avoided by owning the technology as well as the current royalties earned, the revenue stream was adjusted for technology obsolescence, as the technology will decay over time and be replaced by new technologies. The developed technology was preliminarily valued £1.0 million ($1.6 million using the exchange rate in effect at the time of acquisition) and will be amortized over a 4 year life.

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Investments (accounted for under the Equity Method)

- Sino British Submarine Systems (“SBSS”) – This investment was valued using an income approach (income capitalization method) and market approach (guideline public company method) and weighted each 50-50 to arrive at an operating value. From there, debt was added and a 35% ‘discount for the lack of marketability’ was applied to arrive at a fair value. That fair value was multiplied by GMSL’s ownership percentage to arrive a fair value applicable to GMSL. The income approach used year end 2014 results as acquisition-date financials as projections were not available. The multiples applied under the market approach were based on EBITDA and revenue multiples for entities operating in the same industry. The valuation resulted in a preliminary fair value of £10.4 million ($16.9 million using the exchange rate in effect at the time of acquisition).

- Huawei Marine Networks (“HMN”) – This investment was valued using a market approach (guideline public company method) and cost approach (book value of equity) and weighted each 50-50 to arrive at an operating value. There was no debt but a 30% ‘discount for the lack of marketability’ was applied to arrive at a fair value. That fair value was multiplied by GMSL’s ownership percentage to arrive a fair value applicable to GMSL. The multiples applied under the market approach were based on EBITDA and revenue multiples for entities operating in the same industry. The valuation resulted in a preliminary fair value of £4.3 million ($7.0 million using the exchange rate in effect at the time of acquisition).

- International Cableship (“ICPL”) – This investment was valued using a cost approach (book value of equity) to arrive at an operating value. There was no debt but a 20% ‘discount for the lack of marketability’ was applied to arrive at a fair value. That fair value was multiplied by GMSL’s ownership percentage to arrive a fair value applicable to GMSL. The valuation resulted in a preliminary fair value of £2.8 million ($4.5 million using the exchange rate in effect at the time of acquisition).

- Sembawang Cable Depot Pte Ltd (“SCDPL”) – This investment was valued using an income approach (income capitalization method) and market approach (guideline public company method) and weighted each 50-50 to arrive at an operating value. There was no debt, but a 20% ‘discount for the lack of marketability’ was applied to arrive at a fair value. That fair value was multiplied by GMSL’s ownership percentage to arrive a fair value applicable to GMSL. The income approach used year end 2014 results as acquisition-date financials as projections were not available. The multiples applied under the market approach were based on EBITDA and revenue multiples for entities operating in the same industry. The valuation resulted in a preliminary fair value of £0.7 million. ($1.1 million using the exchange rate in effect at the time of acquisition).

- Other investments were preliminarily valued at £0.3 million. ($0.5 million using the exchange rate in effect at the time of acquisition). The fair value was determined to approximate carrying value.

- Basis Differences – The total preliminary fair values of the named investments above was £18.2 million, while the carrying value (based on GMSL’s ownership percentage and using the balance sheets as of December 31, 2014) was £25.2 million. This resulted in a basis difference of £7.0 million ($11.4 million using the exchange rate in effect at the time of acquisition), of which the majority of was attributable to SBSS. This basis difference will be accreted up over a 10 year period which will result in the increase to the investment in SBSS.

Pro Forma Adjusted Summary

The results of operations for Schuff, ANG, and GMSL have been included in the consolidated financial statements subsequent to their acquisition dates.

The following schedule presents unaudited consolidated pro forma results of operations data as if the acquisitions had occurred on January 1, 2014. This information does not purport to be indicative of the actual results that would have occurred if the acquisitions had actually been completed on the date indicated, nor is it necessarily indicative of the future operating results or the financial position of the combined company (in thousands):

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	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Net revenue	$ 212,518	$ 406,108
Net income (loss) from continuing operations	6,489	12,645
Net income (loss) from discontinued operations	(52)	(48)
Gain (loss) from sale of discontinued operations	-	(784)
Net income (loss) attributable to HC2 Holdings, Inc.	$ 6,437	$ 11,813

All expenditures incurred in connection with the acquisitions were expensed and are included in selling, general and administrative expenses. The Company recorded net revenue and net income (loss) as follows (in thousands):

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Net Revenue	Net Income (Loss)	Net Revenue	Net Income (Loss)
Schuff	$ 130,985	$ 5,889	$ 257,851	$ 9,086
ANG	1,368	(134)	2,591	(247)
GMSL	43,875	10,360	70,877	11,967

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	June 30, 2015	December 31, 2014
Contract receivables:		
Contracts in progress	$ 129,326	$ 105,071
Unbilled retentions	33,347	32,850
Trade receivables	53,433	16,202
Other receivables	266	195
Allowance for doubtful accounts	(2,345)	(2,760)
	$ 214,027	$ 151,558

5. CONTRACTS IN PROGRESS

Costs and recognized earnings in excess of billings on uncompleted contracts and billings in excess of costs and recognized earnings on uncompleted contracts consist of the following (in thousands):

	June 30, 2015	December 31, 2014
Costs incurred on contracts in progress	$ 609,094	$ 531,129
Estimated earnings	89,067	73,540
	698,161	604,669
Less progress billings	692,447	618,530
	$ 5,714	$ (13,861)
The above is included in the accompanying condensed consolidated balance sheet under the following captions:		
Costs and recognized earnings in excess of billings on uncompleted contracts	35,573	28,098
Billings in excess of costs and recognized earnings on uncompleted contracts	(29,859)	(41,959)
	$ 5,714	$ (13,861)

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6. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2015	December 31, 2014
Raw materials	$ 15,561	$ 12,956
Work in process	1,690	1,779
Finished goods	545	240
	$ 17,796	$ 14,975

7. INVESTMENTS

As of June 30, 2015, the Company had both short-term and long-term investments. The short-term investments are classified as available-for-sale securities and the change in value is recognized within accumulated other comprehensive income (loss). The fair market value is determined using quoted market prices (a Level I approach). See Note 14 – Fair Value of Financial Instruments for a description of Level I approach. The long-term investments are comprised of three types of investments; those accounted for under the equity method of accounting, investments in debt securities accounted for as available-for-sale securities and investment in debt securities accounted for under the cost method. For the debt securities, without quoted market prices, the fair values are calculated using other valuation methodologies (a Level II approach).

During the three and six months ended June 30, 2015, the Company recorded $1.4 million and ($1.3) million, respectively, of its share of the equity method investments' net income (loss).

The long-term investments are as follows (in thousands):

Company	Investment	June 30, 2015	December 31, 2014
Equity Method			
Global Cable Technology Ltd.	Stock	$ -	$ 49
SB Submarine Systems Co., Ltd.	Stock	12,839	12,882
International Cableship Pte., Ltd.	Stock	1,832	2,111
Sembawang Cable Depot Ptd., Ltd.	Stock	992	808
Huawei Marine Systems Co., Ltd.	Stock	11,777	10,087
Visser Smit Global Marine Partnership	Stock	428	464
Novatel Wireless, Inc.	11,473,799 shares and 1,593,583 warrants	16,599	13,419
Kaneland, LLC	Stock	1,083	1,151
NerVve Technologies, Inc.	885,286 shares of Series A-1 Preferred Stock	5,023	5,538
Benevir Biopharm, Inc.	2,000 shares of Series A-1 Preferred Stock	1,623	1,915
Available-for-sale			
Gaming Nation Acquisition Corporation	Convertible Debt and Warrant	16,097	-
Cost Method			
DTV America Corporation	Convertible Debt	3,000	-
mParticle	Convertible Debt	500	250
		$ 71,793	$ 48,674

2015 Activity

Novatel Wireless, Inc. ("Novatel")

- In February 2015, the Company sold 586,095 shares of common stock and 293,047 warrants for $1.0 million which resulted in a gain of $0.2 million.
- In March 2015, the Company exercised its warrants which converted into 3,824,600 shares of common stock for $8.6 million and also received a new warrant to purchase 1,593,583 shares of common stock at $5.50 per share.
- The Company's ownership increased to approximately 23% of Novatel's common stock.
- A basis difference, net of tax for the additional investment in March 2015 of $5.6 million consists of a trade name of $0.6 million (amortized over 15 years), a technology and customer intangible of $0.8 million (amortized over 7 years) and goodwill of $4.2 million.

DTV America Corporation ("DTV")

- In the first quarter of 2015, the Company purchased $3.0 million of convertible debt.

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Gaming Nation Acquisition Corporation

- In April 2015, the Company purchased $16.1 million of convertible debt.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill by reporting unit for the six months ended June 30, 2015 are as follows (in thousands):

	Schuff	ICS	Other	Total
Balance as of December 31, 2014	$ 24,612	$ 3,378	$ -	$ 27,990
Effect of change in foreign currency exchange rates	-	-	-	-
Acquisition of business	(122)	-	1,781	1,659
Balance as of June 30, 2015	$ 24,490	$ 3,378	$ 1,781	$ 29,649

Amortizable Intangible Assets

Intangible assets subject to amortization consisted of the following (in thousands):

	Schuff	GMSL	ANG	Pansend	Other	Corporate	Total
Trade names							
Balance as of December 31, 2014	$ 4,304	$ 997	$ 6,037	$ -	$ -	$ -	$ 11,338
Effect of change in foreign currency exchange rates	-	13	-	-	-	-	13
Amortization	(149)	(183)	(315)	-	-	-	(647)
Acquisition of business	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Balance as of June 30, 2015	$ 4,155	$ 827	$ 5,722	$ -	$ -	$ -	$ 10,704
Customer relationships							
Balance as of December 31, 2014	$ -	$ 7,333	$ 4,881	$ -	$ -	$ -	$ 12,214
Effect of change in foreign currency exchange rates	-	85	-	-	-	-	85
Amortization	-	(252)	(213)	-	-	-	(465)
Acquisition of business	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Balance as of June 30, 2015	$ -	$ 7,166	$ 4,668	$ -	$ -	$ -	$ 11,834
Developed technology							
Balance as of December 31, 2014	$ -	$ 1,456	$ -	$ -	$ -	$ -	$ 1,456
Effect of change in foreign currency exchange rates	-	19	-	-	-	-	19
Amortization	-	(197)	-	-	(159)	-	(356)
Acquisition of business	-	-	-	-	-	-	-
Reclassification	-	-	-	-	4,195	-	4,195
Balance as of June 30, 2015	$ -	$ 1,278	$ -	$ -	$ 4,036	$ -	$ 5,314
Other							
Balance as of December 31, 2014	$ -	$ -	$ -	$ 114	$ 6,000	$ 22	$ 6,136
Effect of change in foreign currency exchange rates	-	-	-	-	-	-	-
Amortization	-	-	-	(1)	-	-	(1)
Acquisition of business/development	-	-	-	-	-	-	-
Reclassification	-	-	-	-	(6,000)	-	(6,000)
Balance as of June 30, 2015	$ -	$ -	$ -	$ 113	$ -	$ 22	$ 135
Total amortizable intangible assets							
Balance as of December 31, 2014	$ 4,304	$ 9,786	$ 10,918	$ 114	$ 6,000	$ 22	$ 31,144
Effect of change in foreign currency exchange rates	-	117	-	-	-	-	117
Amortization	(149)	(632)	(528)	(1)	(159)	-	(1,469)
Acquisition of business	-	-	-	-	-	-	-
Reclassification	-	-	-	-	(1,805)	-	(1,805)
Balance as of June 30, 2015	$ 4,155	$ 9,271	$ 10,390	$ 113	$ 4,036	$ 22	$ 27,987

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9. LONG-TERM OBLIGATIONS

Long-term debt consists of the following (in thousands):

	June 30, 2015	December 31, 2014
Senior Secured Notes collateralized by the Company's assets, with interest payable semi-yearly based on a fixed annual interest rate of 11% with principal due in 2019	$ 300,000	$ 250,000
Note payable collateralized by GMSL's assets, with interest payable monthly at LIBOR plus 3.65% and principal payable monthly, maturing in 2019	14,531	16,732
Note payable collateralized by Schuff's real estate, with interest payable monthly at LIBOR plus 4% and principal payable monthly, maturing in 2019	4,323	4,635
Note payable collateralized by Schuff's equipment, with interest payable monthly at LIBOR plus 4% and principal payable monthly, maturing in 2019	11,690	8,333
Line of credit collateralized by Schuff's HOPSA assets, with interest payable monthly at 5.25% plus 1% of Special Interest Compensation Fund	1,250	-
Note payable collateralized by ANG's assets, with interest payable monthly at 5.5% and principal payable monthly, maturing in 2018	736	810
Obligations under capital leases	56,438	65,176
Other	24	30
Subtotal	388,992	345,716
Original issue discount on Senior Secured Notes	(1,919)	(2,345)
Subtotal	387,073	343,371
Less: Current portion of long-term obligations	(12,752)	(10,444)
Total long-term obligations	$ 374,321	$ 332,927

Aggregate debt maturities are as follows (in thousands):

2015	$ 7,052
2016	11,793
2017	12,066
2018	15,203
2019	313,249
Thereafter	29,629
	$ 388,992

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Aggregate maturities for the capital leases are as follows (in thousands):

2015	$	3,459
2016		6,900
2017		6,892
2018		10,602
2019		10,601
Thereafter		32,222
Total minimum principal & interest payments		70,676
Less: Amount representing interest		(14,238)
Total capital lease obligations	$	56,438

The interest rates on the capital leases range from approximately 4% to 10.4%.

11% Senior Secured Notes due 2019

On November 20, 2014, the Company issued $250.0 million in aggregate principal amount of 11% Senior Secured Notes due 2019 (the "Existing Notes"). The Existing Notes were issued at 99.05% of par, which resulted in a discount of $2.4 million. The net proceeds from the issuance of the Existing Notes were used to pay off a senior secured credit facility which provided for a twelve month, floating interest rate term loan of $214 million and a delayed draw term loan of $36 million (the "September Credit Facility") that was entered into in connection with the GMSL acquisition. On March 26, 2015, the Company issued $50.0 million in aggregate principal amount of 11% Senior Secured Notes due 2019 (the "New Notes" and together with the Existing Notes, the "11% Notes). The New Notes were issued at 100.5% of par, plus accrued interest from November 20, 2014, which resulted in a premium of $0.3 million. The 11% Notes were issued under an indenture dated November 20, 2014, by and among HC2, the guarantors party thereto and U.S. Bank National Association, a national banking association ("U.S. Bank"), as trustee (the "11% Notes Indenture").

Maturity and Interest. The 11% Notes mature on December 1, 2019. The 11% Notes accrue interest at a rate of 11% per year. Interest on the 11% Notes is paid semi-annually on December 1 and June 1 of each year.

Ranking. The 11% Notes and the guarantees thereof will be HC2's and certain of its direct and indirect domestic subsidiaries' (the "Subsidiary Guarantors") general senior secured obligations. The 11% Notes and the guarantees thereof will rank: (i) senior in right of payment to all of HC2's and the Subsidiary Guarantors' future subordinated debt; (ii) equal in right of payment with all of HC2's and the Subsidiary Guarantors' existing and future senior debt and effectively senior to all of its unsecured debt to the extent of the value of the collateral; and (iii) effectively subordinated to all liabilities of its non-guarantor subsidiaries.

Collateral. The 11% Notes and the guarantees thereof will be collateralized on a first-priority basis by substantially all of HC2's assets and the assets of the Subsidiary Guarantors (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the 11% Notes Indenture). The 11% Notes Indenture permits the Company, under specified circumstances, to incur additional debt in the future that could equally and ratably share in the collateral. The amount of such debt is limited by the covenants contained in the 11% Notes Indenture.

Certain Covenants. The 11% Notes Indenture contains covenants limiting, among other things, the ability of HC2, and, in certain cases, HC2's subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications. HC2 is also required to maintain compliance with certain financial tests, including minimum liquidity and collateral coverage ratios. As of June 30, 2015, HC2 was in compliance with these covenants.

Redemption Premiums. The Company may redeem the 11% Notes at a redemption price equal to 100% of the principal amount of the 11% Notes plus a make-whole premium before December 1, 2016. The make-whole premium is the greater of (i) 1% of principal amount or (ii) the excess of the present value of redemption price at December 1, 2016 plus all required interest payments through December 1, 2016 over the principal amount. After December 1, 2016, the Company may redeem the 11% Notes at a redemption price equal to 100% of the principal amount plus accrued interest. The Company is required to make an offer to purchase the 11% Notes upon a change of control. The purchase price will equal 101% of the principal amount of the 11% Notes on the date of purchase plus accrued interest.

Terminated HC2 Credit Facilities

In 2014, the Company entered into (i) a senior secured credit facility providing for an eighteen month, floating interest rate term loan of $80 million (the "May Credit Facility") to finance a portion of the acquisition of Schuff, (ii) a senior unsecured credit facility consisting of a term loan of $17 million (the "Novatel Acquisition Term Loan") for the purpose of acquiring an ownership interest in Novatel Wireless, Inc. and (iii) the September Credit Facility to finance a portion of the acquisition of GMSL. The Company used a portion of the proceeds from the September Credit Facility to repay the May Credit Facility and the Novatel Acquisition Term Loan. The Company used the net proceeds from the issuance of the Existing Notes to repay the September Credit Facility.

Prior to the payoff of the May Credit Facility, the Company made partial principal payments according to covenants within the agreement that required that portions of escrows received and proceeds from the exercise of warrants be used to pay down the May Credit Facility. In connection with those partial prepayments, the Company wrote off $0.1 million of deferred financing costs and $0.2 million of original issue discount in the second quarter of 2014 to amortization of debt discount. In connection with those partial prepayments, the Company wrote off $0.1 million of deferred financing costs and $1.9 million of original issue discount in the third quarter of 2014 to loss on early extinguishment or restructuring of debt. In connection with the payoff of the remaining balance of the May Credit Facility, the Company incurred $0.9 million of prepayment premiums and wrote off $0.3 million of deferred financing costs and $2.5 million of original issue discount in the third quarter of 2014 to loss on early extinguishment or restructuring of debt. In connection with the payoff of the Novatel Acquisition Term Loan, the Company wrote off $0.4 million of deferred financing costs and $0.8 million of original issue discount in the third quarter of 2014 to loss on early extinguishment or restructuring of debt. In connection with the payoff of the September Credit Facility, the Company wrote off $0.5 million of deferred financing costs and $4.5 million of original issue discount, which is net of a credit for previous paid funding fees of $2.3 million during the fourth quarter of 2014 to loss on early extinguishment or restructuring of debt.

Schuff Credit Facilities

Schuff has a Credit and Security Agreement ("Schuff Facility") with Wells Fargo Credit, Inc. ("Wells Fargo"), pursuant to which Wells Fargo agreed to advance up to a maximum amount of $50.0 million to Schuff. On October 21, 2014, Schuff amended the Schuff Facility, pursuant to which Wells Fargo allowed for the issuance of a note payable up to $10.0 million, collateralized by its machinery and equipment ("Real Estate (2) Term Advance (M&E)") and the issuance of a note payable up to $5.0 million, collateralized by its real estate ("Real Estate (2) Term Advance (Working Capital)"). At June 30, 2015 and December 31, 2014, Schuff had borrowed $11.7 million and $8.4 million, respectively, under the Real Estate (2) Term Advance (M&E) and Real Estate (2) Term Advance (Working Capital). The Real Estate (2) Term Advance (M&E) and Real Estate (2) Term Advance (Working Capital) have a 5 year amortization period requiring monthly principal payments and a final balloon payment at maturity. The Real Estate (2) Term Advance (M&E) and Real Estate (2) Term Advance (Working Capital) have a floating interest rate of LIBOR plus 4.0% and require monthly interest payments.

On May 6, 2014, Schuff amended the Schuff Facility, pursuant to which Wells Fargo extended the maturity date of the Schuff Facility to April 30, 2019, lowered the interest rate charged in connection with borrowings under the line of credit and allowed for the issuance of a note payable totaling $5.0 million, collateralized by its real estate ("Real Estate Term Advance"). At June 30, 2015 and December 31, 2014, Schuff had borrowed $4.3 million and $4.6 million, respectively, under the Real Estate Term Advance. The Real Estate Term Advance has a 5 year amortization period requiring monthly principal payments and a final balloon payment at maturity. The Real Estate Term Advance has a floating interest rate of LIBOR plus 4.0% and requires monthly interest payments.

The Schuff Facility has a floating interest rate of LIBOR plus 3.00% (3.27% at June 30, 2015) and requires monthly interest payments. As of June 30, 2015 and December 31, 2014, Schuff had no amounts outstanding under the Schuff Facility. The Schuff Facility is secured by a first priority, perfected security interest in all of Schuff's assets, excluding the real estate, and its present and future subsidiaries and a second priority, perfected security interest in all of Schuff's real estate. The security agreements pursuant to which Schuff's assets are pledged prohibit any further pledge of such assets without the written consent of the bank. The Schuff Facility contains various restrictive covenants. At June 30, 2015, the Company was in compliance with these covenants.

Schuff Hopsa Engineering, Inc. ("SHE"), a joint venture which Schuff consolidates, has a Line of Credit Agreement ("International LOC") with Banco General, S.A. ("Banco General") in Panama pursuant to which Banco General agreed to advance up to a maximum amount of $2.5 million. The line of credit is secured by a first priority, perfected security interest in the SHE's property and plant. The interest rate is 5.25% plus 1% of the special interest compensation fund ("FECI"). The line of credit contains covenants that, among other things, limit the SHE's ability to incur additional indebtedness, change its business, merge, consolidate or dissolve and sell, lease, exchange or otherwise dispose of its assets, without prior written notice.

There was $3.9 million in outstanding letters of credit issued and $46.1 million available under the Schuff Facility at June 30, 2015. At June 30, 2015, Schuff had $1.3 million in borrowings and no outstanding letters of credit issued under its International LOC. There was $1.2 million available under Schuff's International LOC at June 30, 2015.

GMSL Credit Facility

GMSL established a term loan with DVB Bank in January 2014 (the "GMSL Facility"). This GMSL facility has a 4.5 year term and bears interest at the rate of 3.65% plus the USD LIBOR rate. As of June 30, 2015 and December 31, 2014, $14.5 million and $16.7 million, respectively, remained outstanding under the GMSL Facility. The GMSL Facility contains various restrictive covenants. At June 30, 2015, GMSL was in compliance with these covenants.

ANG Term Loan

ANG established a term loan with Signature Financial in October 2013. This term loan has a 5 year term and bears interest at the rate of 5.5%. As of June 30, 2015 and December 31, 2014, $0.7 million and $0.8 million, respectively, remained outstanding under this term loan.

GMSL Capital Leases

GMSL is a party to two leases to finance the use of two vessels: the Innovator (such applicable lease, the "Innovator Lease") and the Cable Retriever (such applicable lease, the "Cable Lease," and together with the Innovator Lease, the "GMSL Leases"). The Innovator Lease expires in 2018, subject to the Company's ability to extend the Innovator Lease for four one-year periods through 2022. The principal amount thereunder bears interest at the rate of approximately 10.4%. The Cable Lease expires in 2023. The principal amount thereunder bears interest at the rate of approximately 4.0%.

As of June 30, 2015 and December 31, 2014, $56.4 million and $65.2 million, respectively, in aggregate principal amount remained outstanding under the GMSL Leases.

10. INCOME TAXES

Income Tax Benefit (Expense)

Income tax expense was $2.5 million and $1.9 million for the three months ended June 30, 2015 and 2014, respectively. The tax expense resulted primarily from the projected expense as calculated under ASC 740 without applying a valuation allowance. The June 30, 2014 expense was due primarily to the acquisition of Schuff. Income tax benefit (expense) was $3.4 million and ($2.0) million for the six months ended June 30, 2015 and 2014, respectively.

Due to circumstances that could lead to wide variability in the Effective Tax Rate, the Company did not use the Annual Effective Tax Rate ("ETR") approach of ASC 740-270 (formerly FIN 18) to calculate its Q2 2015 interim tax provision. As such, the Q2 tax provision was calculated using a discrete year-to-date approach, by applying the statutory tax rate to the sum of the year-to-date loss plus non-deductible items.

NOL Limitation

As of June 30, 2015, the Company had an estimated NOL carryforward in the amount of $60.1 million. This amount does not include 2015 activity. In the first quarter of 2014, substantial acquisitions of the Company's stock were reported by new beneficial owners of 5% or more of the Company's common stock on Schedule 13D filings made with the SEC. On May 29, 2014, the Company issued 30,000 shares of Series A Convertible Participating Preferred Stock of the Company (the "Series A Preferred Stock") and 1,500,000 shares of common stock to finance the acquisition of Schuff. During the second quarter the Company completed a Section 382 review. The conclusions of this review indicate that an ownership change had occurred as of May 29, 2014. The Company's annual Section 382 base limit following the ownership change is estimated to be $2.2 million per year.

Unrecognized Tax Benefits

The Company follows the provision of ASC No. 740-10, "Income Taxes" which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes. The amount of unrecognized tax benefits may change in the next 12 months, however, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

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Examinations

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. The open tax years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the applicability of income tax credits for the relevant tax period. Given the nature of tax audits there is a risk that disputes may arise. Tax years 2002 - 2014 remain open for examination.

11. COMMITMENTS AND CONTINGENCIES

Litigation

On November 6, 2014, a putative stockholder class action complaint challenging the tender offer by which HC2 Holdings, Inc. acquired approximately 721,000 of the issued and outstanding common shares of Schuff International, Inc. ("Schuff International") was filed in the Court of Chancery of the State of Delaware, captioned *Mark Jacobs v. Philip A. Falcone, Keith M. Hladek, Paul Voigt, Michael R. Hill, Rustin Roach, D. Ronald Yagoda, Phillip O. Elbert, HC2 Holdings, Inc., and Schuff International, Inc.*, Civil Action No. 10323 (the "Complaint"). On November 17, 2014, a second lawsuit was filed in the Court of Chancery of the State of Delaware, captioned *Arlen Diercks v. Schuff International, Inc. Philip A. Falcone, Keith M. Hladek, Paul Voigt, Michael R. Hill, Rustin Roach, D. Ronald Yagoda, Phillip O. Elbert, HC2 Holdings, Inc.*, Civil Action No. 10359. On February 19, 2015, the court consolidated the actions (now designated as *Schuff International, Inc. Stockholders Litigation*) and appointed lead plaintiff and counsel. The currently operative complaint is the November 6, 2014 Complaint filed by Mark Jacobs. The Complaint alleges, among other things, that in connection with the tender offer, the individual members of the Schuff International board of directors and HC2 Holdings, the controlling stockholder of Schuff, breached their fiduciary duties to members of the plaintiff class. The Complaint also purports to challenge a potential short-form merger based upon plaintiff's expectation that the Company would cash out the remaining public stockholders of Schuff International following the completion of the tender offer. Such a short-form merger has never been formally proposed or acted upon and as of June 30, 2015, approximately 342 thousand shares of Schuff International remain in public hands, representing approximately 9% of the outstanding shares of Schuff International. The Complaint seeks rescission of the tender offer and/or compensatory damages, as well as attorney's fees and other relief. The defendants filed answers to the Complaint on July 30, 2015. We believe that the allegations and claims set forth in the Complaint are without merit and intend to defend them vigorously.

On July 16, 2013, Plaintiffs Xplornet Communications Inc. and Xplornet Broadband, Inc. ("Xplornet") initiated an action against Inukshuk Wireless Inc. ("Inukshuk"), Globility Communications Corporation ("Globility"), MIPPS Inc., Primus Telecommunications Canada Inc. and PTGi. Xplornet alleges that it entered into an agreement to acquire certain licenses for radio spectrum in Canada from Globility. Xplornet alleges that Globility agreed to sell Xplornet certain spectrum licenses in a Letter of Intent dated July 12, 2011 but then breached the Letter of Intent by selling the licenses to Inukshuk. Xplornet then alleges that they reached an agreement with Inukshuk to purchase the licenses on June 26, 2012, but that Inukshuk breached that agreement by not completing the sale. Xplornet alleges that, as a result of the foregoing, they have been damaged in the amount of $50 million. On January 29, 2014, Globility, MIPPS Inc., and Primus Telecommunications Canada, Inc., demanded indemnification pursuant to the Equity Purchase Agreement among PTUS, Inc., PTCAN, Inc. Primus Telecommunications Group, Incorporated, Primus Telecommunications Holding, Inc., Lingo Holdings, Inc., and Primus Telecommunications International, Inc., dated as of May 10, 2013. On February 14, 2014, the Company assumed the defense of this litigation while reserving all of its rights under the Equity Purchase Agreement. On February 5, 2014, Globility, MIPPS Inc., and PTCI filed a Notice of Intent to Defend. On February 18, 2014, Globility, MIPPS Inc., and PTCI filed a Demand for Particulars. A Notice of Change of Solicitors to Hunt Partners LLP was filed on behalf of those same entities on April 1, 2014. On March 13, 2015, Inukshuk filed a cross claim against Globility, MIPPS, PTCI, and PTGi. Inukshuk asserts that if Inukshuk is found liable to Xplornet, then Inukshuk is entitled to contribution and indemnity, compensatory damages, interest, and costs from the Company. Inukshuk alleges that Globility represented and warranted that it owned the licenses at issue, that Globility held the licenses free and clear, and that no third party had any rights to acquire them. Inukshuk claims breach of contract and misrepresentation if the Court finds that any of these representations are untrue.

On October 17, 2014, the Company moved for summary judgment against Xplornet arguing that there was no agreement between Globility and Xplornet to acquire the licenses at issue. On June 5, 2015, Inukshuk also moved for summary judgment against Xplornet, similarly arguing that there was no agreement between Inukshuk and Xplornet to acquire the licenses in question. The motions are set for hearing on October 7, 2015.

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The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's business, consolidated financial position, results of operations or cash flow. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its business, consolidated financial position, results of operations or cash flow.

Tax Matters

Currently, the Canada Revenue Agency ("CRA") is auditing a subsidiary previously held by the Company. The Company intends to cooperate in audit matters. To date, CRA has not proposed any specific adjustments and the audit is ongoing.

12. SHARE-BASED COMPENSATION

On April 11, 2014, the Company's Board of Directors adopted the HC2 Holdings, Inc. 2014 Omnibus Equity Award Plan (the "Omnibus Plan"), which was approved by our stockholders at the annual meeting of stockholders held on June 12, 2014. The Omnibus Plan provides that no further awards will be granted pursuant to the Company's Management Compensation Plan, as amended (the "Prior Plan"). However, awards that had been previously granted pursuant to the Prior Plan will continue to be subject to and governed by the terms of the Prior Plan. As of June 30, 2015, there were 467,371 shares of the Company's common stock underlying outstanding awards under the Prior Plan.

The Compensation Committee of the Board of Directors of the Company administers the Company's Omnibus Plan and the Prior Plan and has broad authority to administer, construe and interpret the plans.

The Omnibus Plan provides for the grant of awards of non-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock based awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. The Company typically issues new shares of common stock upon the exercise of stock options, as opposed to using treasury shares. The Omnibus Plan authorizes the issuance of up to 5,000,000 shares of the Company's common stock, subject to adjustment as provided in the Omnibus Plan.

The Company follows guidance which addresses the accounting for share-based payment transactions whereby an entity receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The guidance generally requires that such transactions be accounted for using a fair-value based method and share-based compensation expense be recorded, based on the grant date fair value, estimated in accordance with the guidance, for all new and unvested stock awards that are ultimately expected to vest as the requisite service is rendered.

There were 691,205 and 1,577,385 options granted during the six months ended June 30, 2015 and 2014, respectively. Of the total options granted during the six months ended June 30, 2015 and 2014, 169,697 and 1,568,864, respectively, of such options were granted to Philip Falcone, pursuant to anti-dilution provisions of a standalone option agreement entered in connection with Mr. Falcone's appointment as Chairman, President and Chief Executive Officer of the Company, and not pursuant to the Omnibus Plan. The weighted average fair value at date of grant for options granted during the six months ended June 30, 2015 and 2014 was $3.16 and $1.39, respectively, per option. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions shown as a weighted average for the year:

	Six Months Ended June 30,	
	2015	**2014**
Expected option life	5.25 years	6 years
Risk-free interest rate	1.49-1.68%	2.31 - 2.73%
Expected volatility	36.29-39.58%	36.74% - 37.20%
Dividend yield	0%	0%

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Total share-based compensation expense recognized by the Company during the three months ended June 30, 2015 and 2014 was $2.4 million and $0.8 million, respectively. Total share-based compensation expense recognized by the Company during the six months ended June 30, 2015 and 2014 was $4.6 million and $1.0 million, respectively. Most of the Company's stock awards vest ratably during the vesting period. The Company recognizes compensation expense for equity awards using the straight-line basis.

Restricted Stock

A summary of the Company's restricted stock activity during the six months ended June 30, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested – December 31, 2014	338,702	$ 4.26
Granted	1,539,114	$ 9.14
Vested	(977,753)	$ 8.54
Forfeitures	-	$ -
Unvested – June 30, 2015	900,063	$ 7.97

As of June 30, 2015, the unvested restricted stock represented $5.3 million of compensation expense that is expected to be recognized over the weighted average remaining vesting period of 1.1 years. The number of shares of unvested restricted stock expected to vest is 900,063.

Stock Options

A summary of the Company's stock option activity during the six months ended June 30, 2015 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding – December 31, 2014	3,573,141	$ 4.27
Granted	691,205	$ 8.82
Exercised	-	$ -
Forfeitures	(4,335)	$ 2.79
Outstanding – June 30, 2015	4,260,011	$ 5.01
Eligible for exercise	2,126,747	$ 4.99

The following table summarizes the intrinsic values and remaining contractual terms of the Company's stock options (in thousands):

	Intrinsic Value	Weighted Average Remaining Life in Years
Options outstanding – June 30, 2015	$ 15,674	9.2
Options exercisable – June 30, 2015	$ 7,669	9.0

During the six months ended June 30, 2015, the intrinsic value of the exercised options was $0. As of June 30, 2015, the Company had 2,133,264 unvested stock options outstanding of which $2.5 million of compensation expense is expected to be recognized over the weighted average remaining vesting period of 1.0 year. The number of unvested stock options expected to vest is 2,133,264 shares, with a weighted average remaining life of 9.2 years, a weighted average exercise price of $5.01, and an intrinsic value of $15.7 million.

13. EQUITY

As of June 30, 2015 and December 31, 2014, there were 25,592,356 and 23,813,085 shares of common stock outstanding, respectively. As of June 30, 2015 and December 31, 2014, there were 54,000 and 41,000 shares of Preferred Stock outstanding, respectively.

Preferred and Common Stock

On May 29, 2014, the Company issued 30,000 shares of Series A Preferred Stock and 1,500,000 shares of common stock, the proceeds of which were used to pay for a portion of the purchase price for the acquisition of Schuff. On September 22, 2014, the Company issued 11,000 shares of Series A-1 Convertible Participating Preferred Stock of the Company (the "Series A-1 Preferred Stock"). Each share of Series A-1 Preferred Stock is convertible at a conversion price of $4.25. On January 5, 2015, the Company issued 14,000 shares of Series A-2 Convertible Participating Preferred Stock of the Company (together with the Series A Preferred Stock and Series A-1 Preferred Stock, the "Preferred Stock"). Each share of Series A-2 Preferred Stock is convertible at a conversion price of $8.25. In connection with the issuance of the Series A-2 Preferred Stock, the Company amended the certificates of designation governing the Series A Preferred Stock and Series A-1 Preferred Stock on January 5, 2015, which reflected the issuance of the Series A-2 Preferred Stock as a class of preferred stock which ranks at parity with the Series A Preferred Stock and Series A-1 Preferred Stock and made certain other changes to conform the terms of the Series A Preferred Stock and Series A-1 Preferred Stock to those of the Series A-2 Preferred Stock. The conversion prices for the Preferred Stock are subject to adjustments for dividends, certain distributions, stock splits, combinations, reclassifications, reorganizations, mergers, recapitalizations and similar events. The Preferred Stock will accrue a cumulative quarterly cash dividend at an annualized rate of 7.5%. The accrued value of the Preferred Stock will accrete quarterly at an annualized rate of 4% that will be reduced to 2% or 0% if the Company achieves specified rates of growth measured by increases in its net asset value.

The Company recorded a beneficial conversion feature on its Series A-1 Preferred Stock as a result of the fair market value of the Company's common stock exceeding the conversion price. The Company recorded a $0.3 million beneficial conversion feature on its Series A-1 Preferred Stock which was calculated using the intrinsic value ($4.36—$4.25) multiplied by the number of convertible common shares ($11,000,000 / $4.25).

Each share of Preferred Stock may be converted by the holder into common stock at any time based on the then-applicable conversion price. On the seventh anniversary of the issue date of the Series A Preferred Stock, holders of the Preferred Stock shall be entitled to cause the Company to redeem the Preferred Stock at the accrued value per share plus accrued but unpaid dividends. Each share of Preferred Stock that is not so redeemed will be automatically converted into shares of common stock at the conversion price then in effect. Upon a change of control, holders of the Preferred Stock shall be entitled to cause the Company to redeem their Preferred Stock at a price per share equal to the greater of (i) the accrued value of the Preferred Stock, which amount would be multiplied by 150% in the event of a change in control occurring on or prior to the third anniversary of the issue date of the Series A Preferred Stock plus and accrued but unpaid dividends and (ii) the value that would be received if the share of Preferred Stock were converted into common stock immediately prior to the change of control.

The certificates of amendment related to the Company's Preferred Stock (the "Prior Amendment") did not become effective because they were filed without proper authorization of the stockholders of the Company. The holders of the Series A Preferred Stock have agreed to release all claims against the Company relating to the ineffectiveness of the Prior Amendments, including the fact that the conversion price of the Series A Preferred Stock remains at $4.25. The release of claims was granted as payment in full of the purchase price of the $5.0 million of Notes issued to the holders of the Series A Preferred Stock. The Company recorded this payment to other income (expense), net. See Note 20, "Subsequent Events" for additional information surrounding this transaction.

At any time after the third anniversary of the issue date of the Series A Preferred Stock, the Company may redeem the Preferred Stock, in whole but not in part, at a price per share generally equal to 150% of the accrued value per share plus accrued but unpaid dividends. After the third anniversary of the issue date of the Series A Preferred Stock, the Company may force conversion of the Preferred Stock into common stock if the common stock's thirty-day volume-weighted average price ("VWAP") exceeds 150% of the then-applicable conversion price and the common stock's daily VWAP exceeds 150% of the then-applicable conversion price for at least twenty trading days out of the thirty trading day period used to calculate the thirty-day VWAP.

In the six months ended June 30, 2015, 1,000 shares of Series A-1 Preferred Stock were converted into 235,526 shares of common stock at the option of the holder.

Dividends

During 2015, the Company's Board of Directors declared cash dividends with respect to the Company's issued and outstanding preferred stock, as presented in the following table (Total Dividend amount presented in thousands):

Declaration Date	March 31, 2015	June 30, 2015
Holders of Record Date	March 31, 2015	June 30, 2015
Payment/Accrual Date	April 15, 2015	July 15, 2015
Total Dividend	$ 1,021	$ 1,020

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I include listed equities. Under U.S. GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

- Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include long-term debt.

- Level III — Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. There were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2015.

The carrying amounts reported in the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, costs and recognized earnings in excess of billings, accounts payable, accrued expenses, billings in excess of costs and recognized earnings, and other current assets and liabilities approximate fair value due to relatively short periods to maturity. The Company's investments in available-for-sale securities, recorded at fair value using quoted market prices (a Level I approach), as of June 30, 2015 and December 31, 2014 was $12.3 million and $4.9 million, respectively. The Company's investments in available-for-sale securities, recorded using other valuation methodologies (a Level II approach), as of June 30, 2015 and December 31, 2014 was $16.1 million and $0, respectively. The estimated aggregate fair value of the Company's debt, based on significant other observable inputs (a Level II approach) approximated $387.8 million and $338.1 million at June 30, 2015 and December 31, 2014, respectively.

15. RELATED PARTIES

GMSL has investments in various entities for which it exercises significant influence. Summary of transactions with such entities during the three and six months ended June 30, 2015 and balances outstanding at June 30, 2015 is as follows (in thousands):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Net revenue	$ 8,763	$ 14,436
Operating expenses	998	1,968
Interest expense	412	822

	June 30, 2015
Accounts receivable	$ 9,269
Long-term debt	40,580
Accounts payable	39

16. OPERATING SEGMENT AND RELATED INFORMATION

The Company currently has two primary reportable geographic segments—United States and United Kingdom; and Other. The Company has six reportable operating segments based on management's organization of the enterprise—Telecommunications, Life Sciences, Manufacturing, Marine Services, Utilities and Other. The Company also has a non-operating Corporate segment. Net revenue and long-lived assets by geographic segment is reported on the basis of where the entity is domiciled. All inter-segment revenues are eliminated. The Company has no single customer representing greater than 10% of its revenues.

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Summary information with respect to the Company's geographic and operating segments is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Revenue by Geographic Region				
United States	$ 174,028	$ 80,978	$ 321,163	$ 106,258
United Kingdom	102,075	15,608	153,069	33,682
Other	4,879	-	8,558	-
Total	$ 280,982	$ 96,586	$ 482,790	$ 139,940
Net Revenue by Segment				
Telecommunications	$ 103,965	$ 42,111	$ 150,682	$ 85,465
Manufacturing	130,985	54,475	257,851	54,475
Utilities	1,368	-	2,591	-
Marine Services	43,875	-	70,877	-
Other	789	-	789	-
Total	$ 280,982	$ 96,586	$ 482,790	$ 139,940
Income (Loss) from Operations				
Telecommunications	$ 118	$ (228)	$ (89)	$ (106)
Life Sciences	(1,690)	(935)	(2,925)	(935)
Manufacturing	11,081	4,126	17,261	4,126
Utilities	(257)	-	(474)	-
Marine Services	5,013	-	8,778	-
Other	(1,610)	-	(1,851)	-
Corporate	(9,381)	(4,060)	(16,606)	(8,269)
Total	$ 3,274	$ (1,097)	$ 4,094	$ (5,184)
Capital Expenditures				
Telecommunications	$ -	$ 188	$ 10	$ 256
Life Sciences	26	-	26	-
Manufacturing	691	386	1,848	386
Utilities	1,269	-	1,658	-
Marine Services	7,804	-	9,372	-
Corporate	-	-	-	21
Total	$ 9,790	$ 574	$ 12,914	$ 663

The above capital expenditures exclude assets acquired under terms of capital lease and vendor financing obligations.

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Summary information with respect to the Company's geographic and operating segments is as follows (in thousands):

	June 30, 2015	December 31, 2014
Long-term investments		
Life Sciences	$ 1,623	$ 1,916
Marine Services	27,869	26,401
Corporate	42,301	20,357
Total	$ 71,793	$ 48,674

	June 30, 2015	December 31, 2014
Property, Plant and Equipment – Net		
United States	$ 79,943	$ 87,091
United Kingdom	150,711	147,323
Other	5,208	5,437
Total	$ 235,862	$ 239,851

	June 30, 2015	December 31, 2014
Total Assets		
Telecommunications	$ 70,788	$ 24,501
Life Sciences	9,049	11,007
Manufacturing	294,455	281,067
Utilities	29,026	25,391
Marine Services	271,507	283,948
Other (1)	7,878	6,369
Corporate	111,849	91,765
Total	$ 794,552	$ 724,048

(1) Other also includes property, plant and equipment—net and total assets related to discontinued operations.

17. BACKLOG

Schuff's backlog was $329.3 million ($251.0 million under contracts or purchase orders and $78.3 million under letters of intent) at June 30, 2015. Schuff's backlog increases as contract commitments, letters of intent, notices to proceed and purchase orders are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts, notices to proceed, letters of intent or purchase orders. Schuff's backlog can be significantly affected by the receipt, or loss, of individual contracts. Approximately $143.9 million, representing 43.7% of Schuff's backlog at June 30, 2015, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more of these large contracts or other commitments are terminated or their scope reduced, Schuff's backlog could decrease substantially.

18. DISCONTINUED OPERATIONS

On July 31, 2013, the Company completed the sale of Lingo, Inc., iPrimus, USA, Inc., 3620212 Canada Inc., Primus Telecommunications Canada, Telesonic Communications Inc., and Globility Communications Corporation to affiliates of York Capital Management, an investment firm (together "York"), for $129 million. The sale of Primus Telecommunications, Inc. ("PTI") was also contemplated as part of this transaction but was deferred pending receipt of regulatory approval of such sale. The closing of the sale of PTI, which constituted the remainder of our North America Telecom segment, was completed on July 31, 2014 upon receipt of the necessary regulatory approval. The Company recorded a $13.8 million gain from the sale of this segment during the year ended December 31, 2013. In addition, the purchase agreement contains customary indemnification obligations, representations, warranties and covenants for a transaction of this nature. The Company received $126.0 million, net of $15.25 million held in escrow as part of the initial closing, with an additional $3.0 million held in escrow and paid upon closing of the sale of PTI.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--CONTINUED
(UNAUDITED)

Pursuant to the terms of the purchase agreement, $6.45 million of the purchase price was placed in escrow to be released 14 months after the closing date, subject to any deductions required to satisfy indemnification obligations of the Company under the purchase agreement, which amount was released to the Company in October 2014. In addition, $4.0 million of the purchase price was placed in escrow to cover any payments required in connection with the post-closing working capital and cash adjustments, of which $3.2 million was disbursed to the Company and $0.8 million was disbursed to York upon completion of such adjustments in February 2014. The $0.8 million was recorded as an adjustment to the gain that was recorded in 2013, which resulted in a net gain from this transaction of $13.0 million. Furthermore, $4.8 million of the purchase price was placed in escrow to cover certain tax liabilities, which escrow amount will be released after a positive ruling with respect to the underlying matter is received or 30 days after expiration of the applicable statute of limitations relating to the underlying matter. The $4.8 million escrow deposit is recorded in other assets in the condensed consolidated balance sheets, of which $0.4 million is reserved.

Summarized operating results of the discontinued operations are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net revenue	$ -	$ 3,190	$ -	$ 6,468
Operating expenses	18	3,113	37	6,342
Income (loss) from operations	(18)	77	(37)	126
Interest expense	-	(3)	-	(3)
Interest income and other income (expense)	-	(25)	4	(51)
Income (loss) before income tax	(18)	49	(33)	72
Income tax benefit (expense)	7	(22)	13	(28)
Income (loss) from discontinued operations	$ (11)	$ 27	$ (20)	$ 44

19. BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per common share is calculated by dividing income (loss) attributable to common shareholders by the weighted average common shares outstanding during the period. Diluted income per common share adjusts basic income per common share for the effects of potentially dilutive common share equivalents.

The Company had no dilutive common share equivalents during the three and six months ended June 30, 2015 and 2014 due to the results of operations being a loss from continuing operations, net of tax. For the three and six months ended June 30, 2015, the Company had Preferred Stock, as well as outstanding stock options and unvested RSUs granted under the Prior Plan and Omnibus Plan that were potentially dilutive but were excluded from the calculation of diluted loss per common share due to their antidilutive effect. For the three and six months ended June 30, 2014, the Company had outstanding stock options and unvested RSUs granted under the Prior Plan as well as certain warrants that were potentially dilutive but were excluded from the calculation of diluted loss per common share due to their antidilutive effect.

A calculation of basic income (loss) per common share to diluted income (loss) per common share is set forth below (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Loss from continuing operations attributable to HC2 Holdings, Inc.	$ (12,294)	$ (3,788)	$ (18,434)	$ (7,968)
Income (loss) from discontinued operations	(11)	27	(20)	44
Loss from sale of discontinued operations	-	-	-	(784)
Net loss - basic	$ (12,305)	$ (3,761)	$ (18,454)	$ (8,708)
Net loss - diluted	$ (12,305)	$ (3,761)	$ (18,454)	$ (8,708)
Weighted average common shares outstanding-basic	25,514	16,905	24,838	15,780
Weighted average common shares outstanding-diluted	25,514	16,905	24,838	15,780
Basic loss per common share:				
Loss from continuing operations attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.50)
Income (loss) from discontinued operations	-	-	-	-
Loss from sale of discontinued operations	-	-	-	(0.05)
Loss attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.55)
Diluted loss per common share:				
Loss from continuing operations attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.50)
Income (loss) from discontinued operations	-	-	-	-
Loss from sale of discontinued operations	-	-	-	(0.05)
Net loss attributable to HC2 Holdings, Inc.	$ (0.48)	$ (0.22)	$ (0.74)	$ (0.55)

20. SUBSEQUENT EVENTS

On August 5, 2015, the Company issued $5.0 million aggregate principal amount of its 11% Senior Secured Notes due 2019 (the "Additional 11% Notes"). The Additional 11% Notes will mature on December 1, 2019. The purchasers paid for the Additional 11% Notes by granting the release of claims more fully

described below.

The certificates of amendment related to the Company's Preferred Stock (the "Prior Amendment") did not become effective because they were filed without proper authorization of the stockholders of the Company. The holders of the Series A Preferred Stock have agreed to release all claims against the Company relating to the ineffectiveness of the Prior Amendments, including the fact that the conversion price of the Series A Preferred Stock remains at $4.25. The release of claims was granted as payment in full of the purchase price of the $5.0 million of Notes issued to the holders of the Series A Preferred Stock.

The Additional 11% Notes were issued pursuant to the 11% Notes Indenture, by and among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee. The Company previously issued $300 million aggregate principal amount of 11% Notes pursuant to the 11% Notes Indenture in connection with two prior offerings. The Additional 11% Notes constitute part of a single class of securities with the 11% Notes and have the same terms as the 11% Notes, other than issue date.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the information in our unaudited condensed consolidated financial statements and the notes thereto included herein, as well as our audited consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2014. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section in our Annual Report on Form 10-K for the year ended December 31, 2014 as well as the section below entitled "—Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, "HC2" means HC2 Holdings, Inc. and the "Company," "we" and "our" mean HC2 together with its subsidiaries. "U.S. GAAP" means accounting principles accepted in the United States of America.

Introduction and Overview of Operations

We are a diversified holding company with six reportable segments based on management's organization of the enterprise—Manufacturing, Marine Services, Utilities, Telecommunications, Life Sciences and Other, which includes operations that do not meet the separately reportable segment thresholds. We expect to continue to focus on acquiring, operating and growing attractive businesses that we believe can generate long-term sustainable free cash flow and attractive returns.

Our Manufacturing segment includes Schuff International, Inc. ("Schuff") and its wholly-owned subsidiaries, which primarily operate as integrated fabricators and erectors of structural steel and heavy steel plates with headquarters in Phoenix, Arizona. Schuff's has operations in Arizona, Georgia, Texas, Kansas and California, with its construction projects primarily located in the aforementioned states. In addition, Schuff has construction projects in select international markets, primarily Panama through a Panamanian joint venture with Empresas Hopsa, S.A. that provides steel fabrication services.

Our Marine Services segment includes Global Marine Systems Limited ("GMSL"). GMSL is a leading provider of engineering and underwater services on submarine cables. In conjunction with the acquisition, approximately 3% of the Company's interest in GMSL was purchased by a group of individuals, leaving the Company's controlling interest at approximately 97%.

Our Utilities segment includes American Natural Gas ("ANG"), which is a premier distributor of natural gas motor fuel headquartered in the Northeast that designs, builds, owns, acquires, operates and maintains compressed natural gas fueling stations for transportation vehicles.

In our Telecommunications segment, we operate a telecommunications business including a network of direct routes and provide premium voice communication services for national telecom operators, mobile operators, wholesale carriers, prepaid operators, Voice over Internet Protocol ("VoIP") service operators and Internet service providers ("ISPs") from our International Carrier Services ("ICS") business unit.

In our Life Sciences segment, we operate Pansend, LLC ("Pansend"), which has an 80% interest in Genovel Orthopedics, Inc., which seeks to develop products to treat early osteoarthritis of the knee, and a 61% interest in R2 Dermatology (f/k/a GemDerm Aesthetics, Inc.), which develops skin lightening technology.

We are evaluating several strategic and business alternatives, which may include the following: acquiring assets or businesses unrelated to our current or historical operations, operating, growing or acquiring additional assets or businesses related to our current or historical operations or winding down or selling our existing operations. As part of any acquisition strategy, we may raise capital in the form of debt or equity securities (including preferred stock) or a combination thereof. We have broad discretion in selecting a business strategy for the Company. If we elect to pursue an acquisition, we have broad discretion in identifying and selecting both the industries and the possible acquisition or business combination opportunities. We face significant competition for acquisition and business opportunities, including from numerous companies with a business plan similar to ours, and as such, there can be no assurance that any of these discussions will result in a definitive agreement and if they do, what the terms or timing of any agreement would be. While we search for additional acquisition opportunities, we manage a portion of our available cash and acquire interests in possible acquisition targets through our wholly-owned subsidiary, HC2 Investment Securities, Inc., a Delaware corporation.

Seasonality

In any particular year, net revenue within our Marine Services segment can fluctuate depending on the average temperature in the first quarter and will generally be lower as temperatures are lower. This is especially true as it pertains to installation revenue; maintenance and charter revenue is generally not impacted by seasonality.

Recent Developments

Purchase of United Teacher Associates Insurance Company and Continental General Insurance Company

On April 13, 2015, the Company entered into a Stock Purchase Agreement with Continental General Corporation and Great American Financial Resources, Inc. (collectively, the "Sellers"), pursuant to which the Company agreed to purchase all of the issued and outstanding shares of common stock of United Teacher Associates Insurance Company and Continental General Insurance Company (collectively, the "Targets"), as well as all assets owned by the Sellers or their affiliates that are used exclusively or primarily in the business of the Targets, subject to certain exceptions. The consideration payable by the Company at closing is approximately $7 million, which amount will be increased or decreased by the amount by which the Targets' adjusted capital and surplus exceeds or falls short of, respectively, an agreed-upon target capital and surplus amount (the "Closing Purchase Price"). The Closing Purchase Price will be paid in a mix of cash, debt and/or common stock of the Company, depending on the amount of the Closing Purchase Price. The Company also agreed to contribute to the Targets, at the closing, $13 million in cash or assets (the "Reserve Release Amount"), and to pay to the Sellers, on an annual basis with respect to the years 2015 through 2019, the amount, if any, by which the Targets' cash flow testing and premium deficiency reserves decrease from the amount of such reserves as of December 31, 2014, up to the Reserve Release Amount. The transaction is expected to close during the third quarter of 2015, subject to receipt of required governmental approvals.

Purchase of Convertible Debt of Gaming Nation Acquisition Corporation

In April 2015, the Company invested CAD$20 million (or approximately $16 million) in convertible debentures of Gaming Nation Acquisition Corporation. The convertible debentures, which have a maturity date of April 6, 2017, are convertible into future shares of common stock, by the holder at various percentages that are dependent upon the timing of the conversion. The convertible debentures accrue interest at 6% which is compounded annually.

Results of Operations

In the following presentations and narratives within this Management's Discussion and Analysis of Financial Condition and Results of Operations, we compare the Company's results of operations for the three and six months ended June 30, 2015 as compared to the three and six months ended June 30, 2014.

The pro forma results of operations for the three and six months ended June 30, 2014 include pro forma financial information for the Manufacturing and Marine Services operating segments. These pro forma results give effect to the acquisitions of Schuff, GMSL and ANG as if they had occurred on January 1, 2014. The pro forma results of operations were derived from the unaudited historical financial statements of Schuff for the five months ended May 26, 2014 and of GMSL and ANG for the six months ended June 30, 2014. Management believes that presenting pro forma net revenue, cost of revenue and selling, general and administrative expenses is important to understanding the Company's financial performance, providing better analysis of trends in our underlying businesses as it allows for comparability to prior period results. The unaudited pro forma results of operations are not intended to represent or be indicative of the consolidated results of operations or financial condition of the Company that would have been reported had the acquisitions been completed as of their respective dates, and should not be construed as representative of the future consolidated results of operations or financial condition of the combined entity. The pro forma results of operations are limited to the discussion of net revenue, cost of revenue and selling, general and administrative expenses, as presented below.

Results of operations for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014

Net Revenue

	Three Months Ended June 30,						Pro Forma Quarter-over-Quarter	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total	Variance	Variance %
Telecommunications	103,965	37.0%	42,111	43.6%	42,111	19.8%	61,854	146.9%
Manufacturing	130,985	46.6%	54,475	56.4%	127,074	59.8%	3,911	3.1%
Marine Services	43,875	15.6%	-	0.0%	43,030	20.3%	845	2.0%
Utilities	1,368	0.5%	-	0.0%	303	0.1%	1,065	351.5%
Other	789	0.3%	-	0.0%	-	0.0%	789	100.0%
Total Net Revenue - pro forma	280,982	100.0%	96,586	100.0%	212,518	100.0%	68,464	32.2%
Less net revenue from:								
Manufacturing					(72,599)			
Marine Services					(43,030)			
Utilities					(303)			
Total Net Revenue - GAAP					96,586			

Net revenue: Net revenue increased $184.4 million, or 190.9%, to $281.0 million for the three months ended June 30, 2015 from $96.6 million for the three months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, revenues increased $68.5 million driven primarily by our Telecommunications segment and, to a lesser extent, our Manufacturing and Utilities segments. The increase in Telecommunications was primarily due to the expansion into Latin America and other emerging markets. The increase in Manufacturing was the result of several major commercial projects in the Southwest and Pacific regions of the United States that began in late 2014. While our Marine Services segment reported net revenues that were largely flat, on a constant currency basis, net revenue increased by $5.2 million or 12.1%, driven by an increase in vessel utilization during the current year as compared to the prior year.

Cost of Revenue

	Three Months Ended June 30,						Pro Forma Quarter-over-Quarter	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Variance	Variance %
Telecommunications	102,105	98.2%	39,530	93.9%	39,530	93.9%	62,575	158.3%
Manufacturing	109,685	83.7%	43,330	79.5%	104,321	82.1%	5,364	5.1%
Marine Services	32,484	74.0%	-	0.0%	32,361	75.2%	123	0.4%
Utilities	820	59.9%	-	0.0%	198	65.3%	622	314.1%
Other	404	51.2%	-	0.0%	-	0.0%	404	100.0%
Total Cost of Revenue - pro forma	245,498	87.4%	82,860	85.8%	176,410	83.0%	69,088	39.2%
Less cost of revenue from:								
Manufacturing					(60,991)			
Marine Services					(32,361)			
Utilities					(198)			
Total Cost of Revenue - GAAP					82,860			

Cost of revenue: Cost of revenue increased $162.6 million to $245.5 million, or 87.4% of net revenue, for the three months ended June 30, 2015 from $82.9 million, or 85.8% of net revenue, for the three months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, cost of revenue increased $69.1 million driven primarily by our Telecommunications segment, and to a lesser extent, our Manufacturing segment. The increase in Telecommunications was primarily due to the increase in net revenues. Cost of revenue as a percentage of net revenue increased 430 basis points quarter-over-quarter due to a shift in focus to lower margin but also lower risk customers at our Telecommunications segment. The increase in Manufacturing was primarily due to the increase in net revenues, as well as additional costs on a project. While our Marine Services segment reported cost of revenues that were largely flat, on a constant currency basis, cost of revenues increased by $3.3 million or 10.3%, driven by an increased cost base due from installation projects and also an increase in fleet operational support costs.

Selling, General and Administrative Expenses

	Three Months Ended June 30,						Pro Forma Quarter-over-Quarter	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	SG&A	% of Net Revenue	SG&A	% of Net Revenue	SG&A	% of Net Revenue	Variance	Variance %
Telecommunications	1,645	1.6%	2,599	6.2%	2,599	6.2%	(954)	-36.7%
Life Sciences	1,689	0.0%	935	0.0%	935	0.0%	754	80.6%
Manufacturing	9,222	7.0%	6,439	11.8%	11,201	8.8%	(1,979)	-17.7%
Marine Services	2,297	5.2%	-	0.0%	2,932	6.8%	(635)	-21.7%
Utilities	409	29.9%	-	0.0%	188	62.0%	221	117.6%
Other	1,833	232.3%	-	0.0%	-	0.0%	1,833	100.0%
Corporate	9,381	0.0%	4,059	0.0%	4,059	0.0%	5,322	131.1%
Total SG&A - pro forma	26,476	9.4%	14,032	14.5%	21,914	10.3%	4,562	20.8%
Less SG&A from:								
Manufacturing					(4,762)			
Marine Services					(2,932)			
Utilities					(188)			
Total SG&A - GAAP					14,032			

Selling, general and administrative expenses: Selling, general and administrative expenses increased $12.4 million to $26.5 million, or 9.4% of net revenue, for the three months ended June 30, 2015 from $14.0 million, or 14.5% of net revenue, for the three months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, selling, general and administrative expenses increased $4.6 million driven primarily by our Corporate and Other segments and was partially offset by a decrease in our Manufacturing segment. The increase in Corporate included $2.4 million higher salaries and benefits resulting from increased headcount, $2.0 million higher professional fees and $0.7 million in travel and entertainment expenses related to our acquisition activity. The decrease in Manufacturing is primarily due to lower employee-related and travel costs along with lower IT-related expenses. We continue to make a concerted effort to control costs while continuing to invest in business development and information technology to increase profitability within our Manufacturing segment. The decrease in Marine Services is primarily due to improved cost control measures across general and administrative expenses.

Depreciation and amortization expense: Depreciation and amortization expense for the three months ended June 30, 2015 and 2014 was $7.2 million and $0.8 million, respectively, a portion of which was included in cost of revenue. The increase was due to the impact of purchase accounting for Schuff and GMSL.

Gain (loss) on sale or disposal of assets: Loss on sale or disposal of assets was $0.5 million and $0.4 million for the three months ended June 30, 2015 and 2014, respectively.

Interest expense: Interest expense was $10.0 million and $1.0 million for the three months ended June 30, 2015 and 2014, respectively. The increase in interest expense in 2015 was due to the issuance of the Company's 11% Senior Secured Notes due 2019 ("11% Notes").

Other income (expense), net: Other income (expense), net was expense of $4.9 million and income of $1.7 million for the three months ended June 30, 2015 and 2014, respectively. The decrease was due to settlement cost payments to our preferred stockholders.

Foreign currency transaction gain (loss): Foreign currency transactions resulted in gains of $1.8 million and $0.4 million for the three months ended June 30, 2015 and 2014, respectively. The gains and losses are attributable to transactions denominated in a currency other than the subsidiaries' functional currency.

Income (loss) from equity investees: Income from equity investees was $1.4 million and $0 for the three months ended June 30, 2015 and 2014, respectively. The increase was due to investments that were made starting in the third quarter of 2014.

Income tax expense: Income tax expense was $2.5 million and $1.9 million for the three months ended June 30, 2015 and 2014, respectively. The tax provision expense resulted primarily from the projected expense as calculated under ASC 740 without applying a valuation allowance. The June 30, 2014 expense provision was due primarily to the acquisition of Schuff.

Results of operations for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014

Net Revenue

	Six Months Ended June 30,						Pro Forma Year-over-Year	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total	Variance	Variance %
Telecommunications	150,682	31.2%	85,465	61.1%	85,465	21.1%	65,217	76.3%
Manufacturing	257,851	53.4%	54,475	38.9%	232,216	57.2%	25,635	11.0%
Marine Services	70,877	14.7%	-	0.0%	87,822	21.6%	(16,945)	-19.3%
Utilities	2,591	0.5%	-	0.0%	605	0.1%	1,986	328.3%
Other	789	0.2%	-	0.0%	-	0.0%	789	100.0%
Total Net Revenue - pro forma	482,790	100.0%	139,940	100.0%	406,108	100.0%	76,682	18.9%
Less net revenue from:								
Manufacturing					(177,741)			
Marine Services					(87,822)			
Utilities					(605)			
Total Net Revenue - GAAP					139,940			

Net revenue: Net revenue increased $342.9 million, or 245.0%, to $482.8 million for the six months ended June 30, 2015 from $139.9 million for the six months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, revenues increased $76.7 million driven primarily by our Telecommunications, Manufacturing and Utilities segments and was partially offset by our Marine Services segment. The increase was largely due to our Telecommunications segment, due to the expansion into Latin America and other emerging markets; our Manufacturing segment resulting from several major commercial projects in the Southwest and Pacific regions of the United States that began in late 2014 and growth in our Utilities segment from an increase in filling stations. These increases were offset in part by our Marine Services segment. On a constant currency basis, net revenue from our Marine Services segment decreased by $9.2 million or 10.5% during the current year as compared to the prior year primarily due to lower vessel utilization.

Cost of Revenue

	Six Months Ended June 30,						Pro Forma Year-over-Year	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Cost of Revenue	% of Net Revenue	Variance	Variance %
Telecommunications	147,383	97.8%	80,637	94.4%	80,637	94.4%	66,746	82.8%
Manufacturing	219,544	85.1%	43,330	79.5%	193,443	83.3%	26,101	13.5%
Marine Services	49,126	69.3%	-	0.0%	62,718	71.4%	(13,592)	-21.7%
Utilities	1,497	57.8%	-	0.0%	397	65.6%	1,100	277.1%
Other	404	51.2%	-	0.0%	-	0.0%	404	100.0%
Total Cost of Revenue - pro forma	417,954	86.6%	123,967	88.6%	337,195	83.0%	80,759	24.0%
Less cost of revenue from:								
Manufacturing					(150,113)			
Marine Services					(62,718)			
Utilities					(397)			
Total Cost of Revenue - GAAP					123,967			

Cost of revenue: Cost of revenue increased $294.0 million to $418.0 million, or 86.6% of net revenue, for the six months ended June 30, 2015 from $124.0 million, or 88.6% of net revenue, for the six months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed during 2014. On a pro forma basis, cost of revenue increased $80.8 million driven primarily by our Telecommunications, Manufacturing and Utilities segments partially offset by our Marine Services segment. The increase in Telecommunications was primarily due to the increase in net revenue. Cost of revenue as a percentage of net revenue increased 350 basis points year over year due to a shift in focus to lower margin but also lower risk customers at our Telecommunications segment. The increase in Manufacturing was primarily due to the increase in revenue, as well as additional costs on a project. The decrease in Marine Services was primarily due to a reduced cost base due to the non-recurring charters and installations in the first half of 2014. On a constant currency basis, cost of revenues for our Marine Services segment decreased by $8.2 million or 13.1%.

Selling, General and Administrative Expenses

	Six Months Ended June 30,						Pro Forma Year-over-Year	
	2015		2014 Actual		2014 Pro Forma			
(in thousands)	SG&A	% of Net Revenue	SG&A	% of Net Revenue	SG&A	% of Net Revenue	Variance	Variance %
Telecommunications	3,142	2.1%	5,376	6.3%	5,376	6.3%	(2,234)	-41.6%
Life Sciences	2,923	0.0%	935	0.0%	935	0.0%	1,988	212.6%
Manufacturing	19,148	7.4%	6,439	11.8%	20,736	8.9%	(1,588)	-7.7%
Marine Services	4,862	6.9%	-	0.0%	5,684	6.5%	(822)	-14.5%
Utilities	774	29.9%	-	0.0%	375	62.0%	399	106.4%
Other	2,074	262.9%	-	0.0%	-	0.0%	2,074	100.0%
Corporate	16,606	0.0%	7,486	0.0%	7,486	0.0%	9,120	121.8%
Total SG&A - pro forma	49,529	10.3%	20,236	14.5%	40,592	10.0%	8,937	22.0%
Less SG&A from:								
Manufacturing					(14,297)			
Marine Services					(5,684)			
Utilities					(375)			
Total SG&A - GAAP					20,236			

Selling, general and administrative expenses: Selling, general and administrative expenses increased $29.3 million to $49.5 million, or 10.3% of net revenue, for the six months ended June 30, 2015 from $20.2 million, or 14.5% of net revenue, for the six months ended June 30, 2014 resulting largely from the full year impact of acquisitions completed in 2014. On a pro forma basis, selling, general and administrative expenses increased $8.9 million driven primarily from our Corporate segment and, to a lesser extent, our Other and Life Sciences segments partially offset by our Telecommunications and Manufacturing segments. The increase in Corporate included $6.0 million higher salaries and benefits resulting from increased headcount, $2.8 million higher professional fees and $1.0 million higher travel and entertainment expenses related to our acquisition activity and $0.6 million higher general and administrative expenses partially offset by $1.4 million lower occupancy costs. The decrease in Telecommunications was primarily due to a $1.2 million decrease in salaries and benefits resulting from headcount reductions, a $0.4 million decrease in professional fees and a $0.4 million decrease in general and administrative expenses. The decrease in Manufacturing was primarily due to lower employee-related and travel costs along with lower legal expenses. The decrease in Marine Services was primarily due to improved cost control measures across general and administrative expenses.

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Depreciation and amortization expense: Depreciation and amortization expense for the six months ended June 30, 2015 and 2014 was $14.0 million and $1.0 million, respectively, a portion of which was included in cost of revenue. The increase was due to the impact of purchase accounting for Schuff and GMSL.

Gain (loss) on sale or disposal of assets: Loss on sale or disposal of assets was $1.0 million and $0.4 million for the six months ended June 30, 2015 and 2014, respectively.

Interest expense: Interest expense was $18.6 million and $1.0 million for the six months ended June 30, 2015 and 2014, respectively. The increase in interest expense in 2015 was due to the issuance of the Company's 11% Notes.

Other income (expense), net: Other income (expense), net was expense of $4.7 million and income of $1.6 million for the six months ended June 30, 2015 and 2014, respectively. The decrease was due to settlement cost payments to our preferred stockholders.

Foreign currency transaction gain (loss): Foreign currency transactions resulted in gains of $1.1 million and $0.4 million for the six months ended June 30, 2015 and 2014, respectively. The gains and losses are attributable to transactions denominated in a currency other than the subsidiaries' functional currency.

Income (loss) from equity investees: Loss from equity investees was $1.3 million and $0 for the six months ended June 30, 2015 and 2014, respectively. The increase was due to investments that were made starting in the third quarter of 2014.

Income tax benefit (expense): Income tax benefit was $3.4 million and expense of $2.0 million for the six months ended June 30, 2015 and 2014, respectively. The tax provision benefit resulted primarily from the projected benefit as calculated under ASC 740 without applying a valuation allowance. The June 30, 2014 expense provision was due primarily to the acquisition of Schuff.

Non-GAAP Financial Measures and Other Information

Adjusted EBITDA

Management believes that Adjusted EBITDA is significant to gaining an understanding of the Company's results as it is frequently used by the financial community to provide insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation, amortization and the other items listed in the definition of Adjusted EBITDA below can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt. While management believes that non-US GAAP measurements are useful supplemental information, such adjusted results are not intended to replace the Company's US GAAP financial results.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) as adjusted for asset impairment expense; gain (loss) on sale or disposal of assets; interest expense; amortization of debt discount; loss on early extinguishment or restructuring of debt; other income (expense), net; foreign currency transaction gain (loss); income tax (benefit) expense; (gain) loss on sale of discontinued operations; gain (loss) from discontinued operations; noncontrolling interest; share-based compensation expense; acquisition costs and depreciation and amortization.

Our second quarter of 2015 Adjusted EBITDA increased to $19.5 million and $25.4 million for the three and six months ending June 30, 2015. The increase in Adjusted EBITDA was largely the result of running our fabrication facilities at or near full capacity for the quarter and our ability to sub contract work at lower costs in our Manufacturing segment along with seasonal trends in our Marine Services segment. This was offset, in part by, early stage investments and increases in deal related diligence expenses in Corporate and Other segments.

	Manufacturing Three Months Ended June 30, 2015	Marine Services Three Months Ended June 30, 2015	Telecommunications Three Months Ended June 30, 2015	Other [1] Three Months Ended June 30, 2015	HC2 Holdings, Inc. Three Months Ended June 30, 2015
Net income (loss)	$ 5,878	$ 10,360	$ 587	$ (28,041)	$ (11,216)
Adjustments to reconcile net income (loss) to Adjusted EBIT:					
(Gain) loss on sale or disposal of assets	498	-	-	-	498
Interest expense	366	963	-	8,712	10,041
Amortization of debt discount	-	-	-	84	84
Other (income) expense, net	(7)	(35)	(1)	4,980	4,937
Foreign currency transaction (gain) loss	-	(1,354)	(468)	-	(1,822)
Income tax (benefit) expense	4,334	6	-	(1,876)	2,464
Loss from discontinued operations	11	-	-	-	11
Noncontrolling interest	499	-	-	(295)	204
Share-based payment expense	-	-	-	2,365	2,365
Acquisition costs	-	-	-	1,969	1,969
Adjusted EBIT	11,579	9,940	118	(12,102)	9,535
Depreciation and amortization	498	4,080	98	560	5,236
Depreciation and amortization (included in cost of revenue)	1,932	-	-	-	1,932
Foreign currency (gain) loss (included in cost of revenue)	-	2,758	-	-	2,758
Adjusted EBITDA	$ 14,009	$ 16,778	$ 216	$ (11,542)	$ 19,461

(1) Other also includes Utilities, Life Sciences and Corporate.

	Manufacturing Six Months Ended June 30, 2015	Marine Services Six Months Ended June 30, 2015	Telecommunications Six Months Ended June 30, 2015	Other (1) Six Months Ended June 30, 2015	HC2 Holdings, Inc. Six Months Ended June 30, 2015
Net income (loss)	$ 9,066	$ 11,967	$ 63	$ (37,373)	$ (16,277)
Adjustments to reconcile net income (loss) to Adjusted EBIT:					
(Gain) loss on sale or disposal of assets	921	-	50	-	971
Interest expense	710	1,959	-	15,980	18,649
Amortization of debt discount	-	-	-	176	176
Other (income) expense, net	(23)	(37)	(6)	4,810	4,744
Foreign currency transaction (gain) loss	-	(905)	(146)	-	(1,051)
Income tax (benefit) expense	6,904	12	-	(10,285)	(3,369)
Loss from discontinued operations	20	-	-	-	20
Noncontrolling interest	584	-	-	(641)	(57)
Share-based payment expense	-	-	-	4,599	4,599
Acquisition costs	-	-	-	1,969	1,969
Adjusted EBIT	18,182	12,996	(39)	(20,765)	10,374
Depreciation and amortization	977	8,111	196	958	10,242
Depreciation and amortization (included in cost of revenue)	3,807	-	-	-	3,807
Foreign currency (gain) loss (included in cost of revenue)	-	935	-	-	935
Adjusted EBITDA	$ 22,966	$ 22,042	$ 157	$ (19,807)	$ 25,358

(1) Other also includes Utilities, Life Sciences and Corporate.

Liquidity and Capital Resources

Short- and Long-Term Liquidity Considerations and Risks

We are a holding company and our liquidity needs are primarily for dividend payments on our Series A Convertible Participating Preferred Stock of the Company (the "Series A Preferred Stock"), Series A-1 Convertible Participating Preferred Stock of the Company (the "Series A-1 Preferred Stock") and Series A-2 Convertible Participating Preferred Stock of the Company (together with the Series A Preferred Stock and Series A-1 Preferred Stock, the "Preferred Stock"). We also have liquidity needs related to interest payments on our 11% Notes and any other long-term debt, professional fees (including advisory services, legal and accounting fees), salaries and benefits, office rent, insurance costs and certain support services. Our current source of liquidity is our cash, cash equivalents and investments, and distributions from our subsidiaries. As of June 30, 2015, we had $68.9 million of cash and cash equivalents compared to $108.0 million as of December 31, 2014. As of June 30, 2015, we had $387.1 million of indebtedness compared to $343.4 million as of December 31, 2014, and as of June 30, 2015, we had $53.0 million of outstanding Preferred Stock compared to $39.8 million as of December 31, 2014. We are required to make semi-annual interest payments on our outstanding 11% Notes on June 1st and December 1st of each year. We are required to make dividend payments on our outstanding Preferred Stock on January 15th, April 15th, July 15th, and October 15th of each year.

We believe that we will continue to meet our liquidity requirements, fund our fixed obligations (such as operating leases), and other cash needs for our operations for at least the next twelve months.

The ability of the Company's subsidiaries to have access to and or generate sufficient net income and cash flows to make upstream cash distributions and fund their operations is subject to numerous factors, including restrictions contained in such subsidiary's financing agreements, availability of sufficient funds in such subsidiary and the approval of such payment by such subsidiary's board of directors, which must consider various factors, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors such subsidiary's board of directors considers relevant. In addition, one or more subsidiaries may issue, repurchase, retire or refinance, as applicable, their debt or equity securities for a variety of purposes, including in order to grow their business, pursue acquisition activities or to manage their liquidity needs. Any such issuance may limit such subsidiary's ability to make upstream cash distributions. The Company's liquidity may also be impacted by the capital needs of its current and future subsidiaries. Such entities may require additional capital to maintain or grow their businesses, or make payments on their indebtedness.

We expect our cash, cash equivalents and investments to continue to be a source of liquidity except to the extent they may be used to fund acquisitions of operating businesses or assets. Depending on a variety of factors, including the general state of capital markets, operating needs or acquisition size and terms, the Company and its subsidiaries may raise additional capital through the issuance of equity, debt or both. There is no assurance, however, that such capital will be available at that time, in the amounts necessary or on terms satisfactory to the Company. We expect to service any such new additional debt through raising dividends received from our subsidiaries. We may also seek to repurchase, retire or refinance, as applicable, all or a portion of, our indebtedness or our common or preferred stock through open market purchases, tender offers, negotiated transactions or otherwise.

Pro Forma Capital Expenditures

Pro forma capital expenditures for the three and six months ended June 30, 2014 include pro forma financial information for the Manufacturing and Marine Services operating segments. These pro forma capital expenditures give effect to the acquisitions of Schuff and GMSL as if they had occurred on January 1, 2014. Pro forma capital expenditures consist of the following (in thousands):

	As Reported	Pro Forma (1)
	Six Months Ended June 30,	
	2015	2014
Manufacturing	1,848	9,090
Marine Services	9,372	1,603
Telecommunications	10	256
Utilities	1,658	-
Other	26	21
Total	12,914	10,970

(1) Telecommunications does not include any pro forma adjustments.

The above capital expenditures exclude assets acquired under terms of capital lease and vendor financing obligations.

Restrictive Covenants

The indenture governing our 11% Notes contains certain covenants limiting, among other things, the ability of the Company and certain subsidiaries of the Company to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications.

The indenture also includes two maintenance covenants: a maintenance of liquidity covenant and a maintenance of collateral coverage covenant. The maintenance of liquidity covenant currently provides that the Company will not permit the aggregate amount of all unrestricted cash and cash equivalents of the Company and the Guarantors to be less than the Company's obligations to pay interest on the 11% Notes and all other debt of the Company and the Guarantors, plus mandatory cash dividends on the Company's preferred stock, for the next 6 months. Beginning on November 20, 2015, unless the Company has a Collateral Coverage Ratio (as defined in the indenture) of at least 2:1, the maintenance of liquidity covenant will provide that the Company will not permit the aggregate amount of all unrestricted cash and cash equivalents of the Company and the Guarantors to be less than the Company's obligations to pay interest on the 11% Notes and all other debt of the Company and the Guarantors, plus mandatory cash dividends on the Company's preferred stock, for the next 12 months. The collateral coverage covenant provides that the Company's Collateral Coverage Ratio (as defined in the Indenture) calculated on a pro forma basis as of the last day of each fiscal quarter of Company may not be less than 1.25:1. The Company is in compliance with these covenants in the indenture.

The instruments governing the Company's Preferred Stock also limit the Company's and its subsidiaries ability to take certain actions, including, among other things, to incur additional indebtedness; issue additional preferred stock; engage in transactions with affiliates; and make certain restricted payments. These limitations are subject to a number of important exceptions and qualifications.

Changes in Cash Flows

Our principal liquidity requirements arise from cash used in operating activities, purchases of network equipment, including switches, related transmission equipment and capacity, steel manufacturing equipment and subsea cable equipment, development of back-office systems and income taxes. We have financed our growth and operations to date through public offerings and private placements of debt and equity securities, credit facilities, vendor financing, capital lease financing and other financing arrangements.

Net cash used in operating activities was $47.9 million for the six months ended June 30, 2015 as compared to net cash provided of $9.1 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, net income, net of non-cash operating activity, provided $0.7 million of cash. Other major drivers included an increase in accounts receivable of $61.5 million, a decrease in billings in excess of costs and recognized earnings on uncompleted contracts of $12.1 million, an increase in costs and recognized earnings in excess of billings of $7.2 million, a decrease in pension liability of $3.1 million and an increase in inventory of $2.7 million, partially offset by an increase in accrued interconnection costs of $21.0 million, an increase in accrued expenses and other current liabilities of $16.7 million and an increase in accrued income taxes of $1.5 million. For the six months ended June 30, 2014, net income, net of non-cash operating activity, used $3.6 million of cash. Other major drivers included a decrease in accounts receivable of $11.9 million, an increase in accounts payable of $6.3 million and a decrease in prepaid expenses and other current assets of $6.2 million, partially offset by a decrease in billings in excess of costs and recognized earnings on uncompleted contracts of $7.8 million.

Net cash used in investing activities was $49.2 million for the six months ended June 30, 2015 as compared to $90.8 million for the six months ended June 30, 2014. Net cash used in investing activities for the six months ended June 30, 2015 included a purchase of $8.6 million in equity investments, a purchase of $10.9 million in marketable securities, $12.9 million of capital expenditures and a purchase of $19.3 million in debt securities, partially offset by the sale of assets held for sale of $1.5 million, sale of equity investments of $1.0 million and sale of property and equipment of $1.0 million. Net cash used in investing activities for the six months ended June 30, 2014 included $85.6 million for the Schuff acquisition, Schuff's purchase of their common stock for $5.0 million and $0.7 million of capital expenditures.

Net cash provided by financing activities was $59.5 million for the six months ended June 30, 2015 as compared to $113.7 million for the six months ended June 30, 2014. Net cash provided by financing activities for the six months ended June 30, 2015 included $294.3 million of proceeds from credit facilities and the 11% Notes and $14.0 million of proceeds from the issuance of preferred stock, partially offset by $245.7 million used to make principal payments on our credit facilities, $2.0 million of dividends to our preferred stock holders and $1.1 million payment of deferred financing costs. Net cash provided by financing activities for the six months ended June 30, 2014 included $123.4 million of proceeds from credit facilities, $35.1 million of proceeds from the issuance of preferred stock and common stock and $14.4 million of proceeds from the exercise of warrants and stock options, partially offset by $57.7 million used to make principal payments on our credit facilities.

Foreign Currency

Foreign currency can impact our financial results. During the three and six months ended June 30, 2015, approximately 38.1% and 33.5%, respectively, of our net revenue from continuing operations was derived from sales and operations outside the U.S. The reporting currency for our condensed consolidated financial statements is the United States dollar (the "USD"). The local currency of each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive a portion of our net revenue and incur a portion of our operating costs from outside the U.S., and therefore changes in exchange rates may continue to have a significant, and potentially adverse, effect on our results of operations. Our risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the USD/British pound sterling ("GBP") exchange rate. Due to a percentage of our revenue derived outside of the U.S., changes in the USD relative to the GBP could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the condensed consolidated statements of operations. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into USD using the average exchange rate during the reporting period. Changes in foreign exchange rates affect the reported profits and losses and cash flows of our international subsidiaries and may distort comparisons from year to year. By way of example, when the USD strengthens compared to the GBP, there could be a negative or positive effect on the reported results for our Telecommunications and Marine Services segments, depending upon whether such businesses are operating profitably or at a loss. It takes more profits in GBP to generate the same amount of profits in USD and a greater loss in GBP to generate the same amount of loss in USD. The opposite is also true. For instance, when the USD weakens against the GBP, there is a positive effect on reported profits and a negative effect on reported losses.

For the three and six months ended June 30, 2015 as compared to the three and six months ended June 30, 2014, the USD was stronger on average as compared to the GBP. The following tables demonstrate the impact of currency fluctuations on our net revenue for the three and six months ended June 30, 2015 and 2014:

Net Revenue by Location—in USD (in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	Variance $	Variance %	2015	2014	Variance $	Variance %
United Kingdom	102,075	15,608	86,467	554.0%	153,069	33,682	119,387	354.5%

Net Revenue by Location—in Local Currencies (in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015	2014	Variance $	Variance %	2015	2014	Variance $	Variance %
United Kingdom (in GBP)	66,644	9,280	57,364	618.1%	100,346	20,207	80,139	396.6%

Critical Accounting Policies

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2014 for a detailed discussion of our critical accounting policies. These policies include revenue recognition, accounting for cost of revenue, goodwill and other intangible assets, valuation of long-lived assets and accounting for income taxes.

There have been no significant changes in our critical accounting policies since December 31, 2014.

Off-Balance Sheet Arrangements

Schuff

Schuff's off-balance sheet arrangements at June 30, 2015 included letters of credit of $3.9 million under the Schuff Facility and performance bonds of $16.4 million.

Schuff's letters of credit are issued for the benefit of its workers' compensation insurance carrier. Schuff's workers' compensation insurance carrier requires standby letters of credit to be issued as collateral on all of its outstanding indemnity cases. The amount of collateral required is determined each year and is provided to the carrier for outstanding indemnity claims not greater than 54 months old. The prior years' levels of required collateral can be adjusted each year based upon the costs incurred and settlements reached on the outstanding indemnity cases.

Schuff's contract arrangements with customers sometimes require Schuff to provide performance bonds to partially secure its obligations under its contracts. Bonding requirements typically arise in connection with public works projects and sometimes with respect to certain private contracts. Schuff's performance bonds are obtained through surety companies and typically cover the entire project price.

New Accounting Pronouncements

For a discussion of our "New Accounting Pronouncements," refer to Note 2—"Summary of Significant Accounting Policies" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Related Party Transactions

The Company has entered into indemnification agreements with each of its directors and executive officers. These agreements require the Company to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with the Company. For a further discussion of related party transactions, refer to Note 15—"Related Parties" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates a number of "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as "if," "may," "should," "believe," "anticipate," "future," "forward," "potential," "estimate," "opportunity," "goal," "objective," "growth," "outcome," "could," "expect," "intend," "plan," "strategy," "provide," "commitment," "result," "seek," "pursue," "ongoing," "include" or in the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties and are not guarantees of performance, results, or the creation of shareholder value, although they are based on our current plans or assessments which we believe to be reasonable as of the date hereof.

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Factors or risks that could cause the Company's actual results to differ materially from the results we anticipate include, but are not limited to:

- the possibility of indemnification claims arising out of divestitures of businesses;
- uncertain global economic conditions in the markets in which our operating segments conduct their businesses;
- the ability of our operating segments to attract and retain customers;
- increased competition in the markets in which our operating segments conduct their businesses;
- our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital from our operating segments;

- our expectations regarding the timing, extent and effectiveness of our cost reduction initiatives and management's ability to moderate or control discretionary spending;
- management's plans, goals, forecasts, expectations, guidance, objectives, strategies and timing for future operations, acquisitions, synergies, asset dispositions, fixed asset and goodwill impairment charges, tax and withholding expense, selling, general and administrative expenses, product plans, performance and results;
- management's assessment of market factors and competitive developments, including pricing actions and regulatory rulings;
- limitations on our ability to successfully identify and complete any strategic acquisitions or business opportunities and to compete for these opportunities with others who have greater resources;
- our ability to integrate acquired businesses and otherwise obtain the benefits of acquisitions that we make;
- the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- the impact of expending significant resources in considering acquisition targets or business opportunities that are not consummated;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;
- the impact of covenants in the certificates of designation governing the Company's Preferred Stock, the 11% Notes Indenture, the credit agreements governing the Schuff Facility and the GMSL Facility and future financing or refinancing agreements, on our ability to operate our business and finance our pursuit of acquisition opportunities;
- the impact on the holders of the Company's common stock if we issue additional shares of the Company common stock or preferred stock;
- the impact of decisions by the Company's significant stockholders, whose interest may differ from those of the Company's other stockholders, or their ceasing to remain significant stockholders;
- the effect any interests our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- our dependence on certain key personnel;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the impact of a determination that we are an investment company or personal holding company;
- the impact of delays or difficulty in satisfying the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 or negative reports concerning our internal controls;
- costs and risks associated with litigation;
- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we may incur;
- our possible inability to raise additional capital when needed or refinance our existing debt, on attractive terms, or at all; and
- our possible inability to hire and retain qualified executive management, sales, technical and other personnel.

Marine Services / GMSL

Factors or risks that could cause GMSL's, and thus our Marine Services segment's, actual results to differ materially from the results we anticipate include, but are not limited to:

- the possibility of global recession or market downturn with a reduction in capital spending within the targeted market segments the business operates in;
- project implementation issues and possible subsequent overruns;
- risks associated with operating outside of core competencies when moving into different market segments;

- possible loss or severe damage to marine assets;
- vessel equipment aging or reduced reliability;
- risks associated with operating two joint ventures in China (China Telecom, Huawei);
- risks related to foreign corrupt practices and economic sanctions, laws and regulations;
- changes to the local laws and regulatory environment in different geographical regions;
- loss of key senior employees;
- difficulties attracting enough skilled technical personnel;
- foreign exchange rate risk;
- liquidity risk; and
- potential for financial loss arising from the failure by customers to fulfil their obligations as and when these obligations fall due.

Manufacturing / Schuff

Factors or risks that could cause Schuff's, and thus our Manufacturing segment's, actual results to differ materially from the results we anticipate include, but are not limited to:

- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- uncertain timing and funding of new contract awards, as well as project cancellations;
- cost overruns on fixed-price or similar contracts or failure to receive timely or proper payments on cost-reimbursable contracts, whether as a result of improper estimates, performance, disputes, or otherwise;
- risks associated with labor productivity, including performance of subcontractors that Schuff hires to complete projects;
- its ability to settle or negotiate unapproved change orders and claims;
- changes in the costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- adverse impacts from weather affecting Schuff's performance and timeliness of completion of projects, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- fluctuating revenue resulting from a number of factors, including the cyclical nature of the individual markets in which our customers operate;
- adverse outcomes of pending claims or litigation or the possibility of new claims or litigation, and the potential effect of such claims or litigation on Schuff's business, financial condition, results of operations or cash flow; and
- lack of necessary liquidity to provide bid, performance, advance payment and retention bonds, guarantees, or letters of credit securing Schuff's obligations under bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts.

Telecommunications / ICS

Factors or risks that could cause ICS's, and thus our Telecommunications segment's, actual results to differ materially from the results we anticipate include, but are not limited to:

- our expectations regarding increased competition, pricing pressures and usage patterns with respect to ICS's product offerings;
- significant changes in ICS's competitive environment, including as a result of industry consolidation, and the effect of competition in its markets, including pricing policies;
- its compliance with complex laws and regulations in the U.S. and internationally; and

- further changes in the telecommunications industry, including rapid technological, regulatory and pricing changes in its principal markets.

Other unknown or unpredictable factors could also affect our business, financial condition and results. Although we believe that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that any of the estimated or projected results will be realized. You should not place undue reliance on these forward-looking statements, which apply only as of the date hereof. Subsequent events and developments may cause our views to change. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk

Our primary market risk exposures relate to changes in foreign currency exchange rates.

Foreign currency can impact our financial results. During the three and six months ended June 30, 2015, approximately 38.1% and 33.5%, respectively, of our net revenue from continuing operations was derived from sales and operations outside the U.S. The reporting currency for our condensed consolidated financial statements is the United States dollar (the "USD"). The local currency of each country is the functional currency for each of our respective entities operating in that country. In the future, we expect to continue to derive a portion of our net revenue and incur a portion of our operating costs from outside the U.S., and therefore changes in exchange rates may continue to have a significant, and potentially adverse, effect on our results of operations. Our risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the USD/British pound sterling ("GBP") exchange rate. Due to a percentage of our revenue derived outside of the U.S., changes in the USD relative to the GBP could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the condensed consolidated statements of operations. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because a majority of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into USD using the average exchange rate during the reporting period. Changes in foreign exchange rates affect the reported profits and losses and cash flows of our international subsidiaries and may distort comparisons from year to year. By way of example, when the USD strengthens compared to the GBP, there could be a negative or positive effect on the reported results for our Telecommunications and Marine Services segments, depending upon whether such businesses are operating profitably or at a loss. It takes more profits in GBP to generate the same amount of profits in USD and a greater loss in GBP to generate the same amount of loss in USD. The opposite is also true. For instance, when the USD weakens against the GBP, there is a positive effect on reported profits and a negative effect on reported losses.

For the six months ended June 30, 2015 as compared to the six months ended June 30, 2014, the USD was stronger on average as compared to the GBP. As a result, the revenue of our subsidiaries whose local currency is GBP increased by more in their local currencies than in USD.

Interest Rate Risk

The Company has interest rate risk with respect to its long-term debt and credit facilities discussed in Note 9—"Long-Term Obligations" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. As of June 30, 2015, we have a substantial amount of debt with variable rates based generally on LIBOR. Increases in interest rates could therefore significantly increase the associated interest payments that we are required to make on this debt.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control.

There have been no adverse changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of certain pending legal proceedings, see Note 11—"Commitments and Contingencies—Litigation" to our condensed consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as updated in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and Note 11—"Commitments and Contingencies—Litigation" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Issuance of Additional 11.000% Senior Secured Notes due 2019

On August 5, 2015, the Company issued $5.0 million aggregate principal amount of its 11.000% Senior Secured Notes due 2019 (the "Notes").

The Notes were issued pursuant to an indenture, dated as of November 20, 2014 (the "Indenture"), by and among the Company, the guarantors party thereto and U.S. Bank National Association, as trustee. The Company previously issued $300 million aggregate principal amount of 11.000% Senior Secured Notes due 2019 (the "Existing Notes") pursuant to the Indenture in connection with two prior offerings. The Notes constitute part of a single class of securities with the Existing Notes and have the same terms as the Existing Notes, other than issue date.

The issue price of the Notes was 100.0% of par, plus accrued interest from June 1, 2015. The purchasers paid for the Notes by granting the release of claims as described in more detail below. The Notes will mature on December 1, 2019. The other terms and conditions of the Existing Notes, and therefore the Notes, are described in Note 9 to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and incorporated herein by reference. The foregoing is also qualified in its entirety by reference to the indenture governing the Notes and the Existing Notes, which was previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2014 and is incorporated by reference herein.

Certificates of Designation

The certificates of amendment related to the Company's Series A Convertible Participating Preferred Stock (the "Series A Stock"), the Company's Series A-1 Convertible Participating Preferred Stock (the "Series A-1 Stock" and, together with the Series A Stock and the Company's Series A-2 Convertible Participating Preferred Stock, the "Convertible Preferred Stock") that were attached as exhibits to the Company's current reports on Form 8-K, filed with the Securities and Exchange Commission on September 26, 2014 and January 9, 2015 (collectively, the "Prior Amendments"), did not become effective because they were filed without proper authorization of the stockholders of the Company. The holders of the Series A Stock have agreed to release all claims against the Company relating to the ineffectiveness of the Prior Amendments, including the fact that the conversion price of the Series A Stock remains at $4.25. The release of claims was granted as payment in full of the purchase price of the $5 million of Notes issued to the holders of the Series A stock.

On August 5, 2015, the Company filed certificates of correction for each series of the Convertible Preferred Stock with the Secretary of State of the State of Delaware implementing certain ministerial changes to the corresponding certificates of designation and declaring the Prior Amendments null and void (the "Certificates of Correction"). The filing of the Certificates of Correction affects the holders of the Convertible Preferred Stock to the extent provided for in the Certificates of Correction. The Certificates of Correction are attached as Exhibits 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6 and incorporated herein by reference in their entirety.

Correction of Anti-Dilution Adjustment Option Issuance

As previously disclosed, on October 28, 2014, the Company issued certain contingent options to purchase shares of the Company's common stock, par value $0.001 ("Common Stock"), to Philip A. Falcone pursuant to anti-dilution provisions in that certain Option Agreement, as reformed and clarified on October 26, 2014, in respect of the Company's issuance of its Series A Convertible Participating Preferred Stock ("Series A Preferred Stock") and related pay-in-kind dividends on such Series A Preferred Stock, based on a conversion price of $4.00 with respect to the Series A Preferred Stock, as follows: options to purchase (1) 750,000 shares of Common Stock at $4.05, (2) 2,667 shares of Common Stock at $4.00 and (3) 7,527 shares of Common Stock at $4.46 (collectively, the "Original Series A Contingent Options"). On August 6, 2015, the Company determined that the Original Series A Contingent Options should have been issued based on a conversion price of $4.25 with respect to the Series A Preferred Stock, as follows: options to purchase (1) 705,882 shares of Common Stock at $4.25, (2) 2,510 shares of Common Stock at $4.25, and (3) 7,084 shares of Common Stock at $4.46 (collectively, the "Corrected Series A Contingent Options"). On the same date, the Company issued the Corrected Series A Contingent Options to Mr. Falcone contemporaneously with the surrender of the Original Series A Contingent Options for cancellation. The Corrected Series A Contingent Options otherwise have the same terms as the Original Series A Contingent Options, including vesting in three equal installments, one third on the date of issuance and an additional one-third on each of October 28, 2015 and October 28, 2016, subject to Mr. Falcone's continued employment with the Company on each vesting date.

ITEM 6. EXHIBITS

(a) Exhibits (see Exhibit Index following signature page below)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 10, 2015.

HC2 HOLDINGS, INC.

Date: August 10, 2015

By: /s/ MICHAEL SENA

Michael Sena
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of April 13, 2015, by and among HC2 Holdings, Inc. (“HC2”), Continental General Corporation and Great American Financial Resources, Inc. (incorporated by reference to HC2’s Current Report on Form 8-K, filed on April 15, 2015) (File No. 001-35210).
4.1	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2 filed on January 5, 2015 (filed herewith).
4.2	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2 filed on September 22, 2014 (filed herewith).
4.3	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2 filed on May 29, 2014 (filed herewith).
4.4	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A-1 Convertible Participating Preferred Stock of HC2 filed on January 5, 2015 (filed herewith).
4.5	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A-1 Convertible Participating Preferred Stock of HC2 filed on September 22, 2014 (filed herewith).
4.6	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A-2 Convertible Participating Preferred Stock of HC2 filed on January 5, 2015 (filed herewith).
10.1^	Employment Agreement, dated May 20, 2015, by and between HC2 and Mesfin Demise (filed herewith).
10.2^	Employment Agreement, dated May 20, 2015, by and between HC2 and Michael Sena (filed herewith).
31	Certifications (filed herewith).
32*	Certification (filed herewith).
101	The following materials from the Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, formatted in extensible business reporting language (XBRL); (i) Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014, (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2015 and 2014, (iii) Unaudited Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014, (iv) Unaudited Condensed Consolidated Statements of Stockholders’ Equity for the six months ended June 30, 2015, (v) Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements (filed herewith).

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* These certifications are being “furnished” and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

^ Indicates management contract or compensatory plan or arrangement.

Exhibit 4.1

CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF DESIGNATION OF
SERIES A CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on January 5, 2015 (the "**Certificate of Amendment**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Amendment is that the Certificate of Amendment was filed in error without the proper authorization of the stockholders of the Corporation.

4. The Certificate of Amendment is hereby rendered null and void.

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek
Name: Keith Hladek
Title: Chief Operating Officer

[*Signature Page to Series A Certificate of Correction*]

Exhibit 4.2

**CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF DESIGNATION OF
SERIES A CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.**

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on September 22, 2014 (the "**Certificate of Amendment**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Amendment is that the Certificate of Amendment was filed in error without the proper authorization of the stockholders of the Corporation.

4. The Certificate of Amendment is hereby rendered null and void.

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek
Name: Keith Hladek
Title: Chief Operating Officer

[*Signature Page to Series A Certificate of Correction*]

Exhibit 4.3

**CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF DESIGNATION OF
SERIES A CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.**

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Designation of Series A Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on May 29, 2014 (the "**Certificate of Designation**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Designation is as follows:

Certain provisions contained in Section 9(a) and Section 10(pp) of the Certificate of Designation erroneously failed to include a reference to the Corporation or to utilize defined terms.

4. The portion of the instrument in corrected form is as follows:

Clause (B) of the proviso of Section 9(a) of the Certificate of Designation is hereby corrected in its entirety to read as follows:

(B) 100% of the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment in such entities) shall be taken into account for purposes of determining Indebtedness but not taken into account (i.e., added back) for purposes of determining Net Asset Value, and

The provisos of Section 10(pp) of the Certificate of Designation are hereby corrected in their entirety to read as follows:

provided that for such purposes, (i) the derivative attributable to the conversion feature in any series of preferred stock will not be considered a liability and (ii) the Accrued Value (as well as any accrued Dividends not yet added to the Accrued Value) of the Preferred Shares and the preference amount (including the accrued value and all accrued but unpaid dividends thereon not included in the accrued value) of any other Senior Securities or Parity Securities will be considered Indebtedness of the Company; *provided, further* that, solely for purposes of determining the Debt/NAV Ratio, the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment) shall be taken into account for purposes of determining "Debt" (i.e., the numerator) but not taken into account (i.e., added back) for purposes of determining Net Asset Value (i.e., the denominator).

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek

Name: Keith Hladek
Title: Chief Operating Officer

[*Signature Page to Series A Certificate of Correction*]

Exhibit 4.4

**CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF AMENDMENT TO THE
CERTIFICATE OF DESIGNATION OF
SERIES A-1 CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.**

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Amendment to the Certificate of Designation of Series A-1 Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on January 5, 2015 (the "**Certificate of Amendment**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Amendment is that the Certificate of Amendment was filed in error without the proper authorization of the stockholders of the Corporation.

4. The Certificate of Amendment is hereby rendered null and void.

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek

Name: Keith Hladek

Title: Chief Operating Officer

[*Signature Page to Series A-1 Certificate of Correction*]

Exhibit 4.5

CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF DESIGNATION OF
SERIES A-1 CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Designation of Series A-1 Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on September 22, 2014 (the "**Certificate of Designation**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Designation is as follows:

Certain provisions contained in Section 9(a) and Section 10(pp) of the Certificate of Designation erroneously failed to include a reference to the Corporation or to utilize defined terms.

4. The portion of the instrument in corrected form is as follows:

Clause (B) of the proviso of Section 9(a) of the Certificate of Designation is hereby corrected in its entirety to read as follows:

(B) 100% of the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment in such entities) shall be taken into account for purposes of determining Indebtedness but not taken into account (i.e., added back) for purposes of determining Net Asset Value, and

The provisos of Section 10(pp) of the Certificate of Designation are hereby corrected in their entirety to read as follows:

provided that for such purposes, (i) the derivative attributable to the conversion feature in any series of preferred stock will not be considered a liability and (ii) the Accrued Value (as well as any accrued Dividends not yet added to the Accrued Value) of the Preferred Shares and the preference amount (including the accrued value and all accrued but unpaid dividends thereon not included in the accrued value) of any other Senior Securities or Parity Securities will be considered Indebtedness of the Company; *provided, further* that, solely for purposes of determining the Debt/NAV Ratio, the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment) shall be taken into account for purposes of determining "Debt" (i.e., the numerator) but not taken into account (i.e., added back) for purposes of determining Net Asset Value (i.e., the denominator).

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek

Name: Keith Hladek
Title: Chief Operating Officer

[*Signature Page to Series A-1 Certificate of Correction*]

Exhibit 4.6

CERTIFICATE OF CORRECTION OF THE
CERTIFICATE OF DESIGNATION OF
SERIES A-2 CONVERTIBLE PARTICIPATING PREFERRED STOCK
OF
HC2 HOLDINGS, INC.

It is hereby certified that:

1. The name of the corporation is HC2 Holdings, Inc. (the "**Corporation**").

2. The Certificate of Designation of Series A-2 Convertible Participating Preferred Stock of the Corporation, which was filed with the Secretary of State of Delaware on January 5, 2015 (the "**Certificate of Designation**"), is hereby corrected.

3. The inaccuracy to be corrected in the Certificate of Designation is as follows:

Certain provisions contained in Section 9(a) and Section 10(rr) of the Certificate of Designation erroneously failed to include a reference to the Corporation or to utilize defined terms.

4. The portion of the instrument in corrected form is as follows:

Clause (B) of the proviso of Section 9(a) of the Certificate of Designation is hereby corrected in its entirety to read as follows:

(B) 100% of the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment in such entities) shall be taken into account for purposes of determining Indebtedness but not taken into account (i.e., added back) for purposes of determining Net Asset Value, and

The provisos of Section 10(rr) of the Certificate of Designation are hereby corrected in their entirety to read as follows:

provided that for such purposes, (i) the derivative attributable to the conversion feature in any series of preferred stock will not be considered a liability and (ii) the Accrued Value (as well as any accrued Dividends not yet added to the Accrued Value) of the Preferred Shares and the preference amount (including the accrued value and all accrued but unpaid dividends thereon not included in the accrued value) of any other Senior Securities or Parity Securities will be considered Indebtedness of the Company; *provided, further* that, solely for purposes of determining the Debt/NAV Ratio, the Indebtedness of the Company, the Company's wholly-owned and, after taking into account the Company's ownership percentage therein, Non-Wholly Owned Subsidiaries (as well as the liquidation preference of any preferred security ranking senior to the Company's investment) shall be taken into account for purposes of determining "Debt" (i.e., the numerator) but not taken into account (i.e., added back) for purposes of determining Net Asset Value (i.e., the denominator).

[*Remainder of page intentionally left blank.*]

Dated: August 5, 2015

HC2 HOLDINGS, INC.

By: /s/ Keith Hladek
Name: Keith Hladek
Title: Chief Operating Officer

[*Signature Page to Series A-2 Certificate of Correction*]

Exhibit 10.1

May 20, 2015

PTGI-International Carrier Services
13800 Coppermine Road
Suite 224
Herndon, VA 20171

Dear Mesfin:

On behalf of PTGi International Carrier Services, Inc. (the "Company"), it is my pleasure to offer you regular, full-time employment for the position of Chief Financial Officer, reporting to Craig Denson, President. You will be based out of the Herndon, VA office. It is anticipated that your start date will be by June 21, 2015 (the "Start Date"), subject to the conditions set forth herein.

This offer is subject to written affirmation of the Company's Code of Ethics and other then-prevailing policies.

Your employment with the Company is at-will meaning both you and the Company can end the employment relationship at any time and for any reason. The terms and conditions of this letter supersede any and all prior letters and oral statements from the company or its subsidiaries.

Your semi-monthly salary will be $6,875, which is $165,000 annually, plus an annual discretionary bonus, approved by the Company.

Until and unless altered, modified, or deleted, your elections as of the date of this letter, under the HC2 Holdings, Inc. employee benefit plans for health, dental, vision, life insurance, voluntary life insurance, AD&D, and short-term and long-term disabilities, as well as the 401(k) plan, will remain in full force.

Your previously granted options from HC2 Holdings, Inc. will continue to vest in accordance with the terms of the respective award agreements, subject to your continued employment with the Company.

For purposes of Paid-Time-Off ("PTO") accrual, the Company will count your previous tenure with HC2 Holdings, Inc.

In the event the Company terminates your employment "without cause," the Company agrees to pay you severance pay equal to six (6) months of your then-current annual base salary (the "Severance Payment"), provided you execute a separation and general release, which will contain provisions relating to confidentiality, direct and non-direct solicitation of customers and employees, and other reasonable and traditional terms. For purposes of this agreement, "without cause" shall mean for any reason other than for i) willful misconduct, ii) conviction of, or plea of guilty or nolo contendere to, a felony or willfully engaging in illegal conduct that is detrimental to the Company, iii) fraud or misappropriation, embezzlement or misuse of funds or property belonging to the Company, iv) willful violation of the Company's written policies in a manner that is detrimental to the best interest of the Company, v) act of personal. Dishonesty that results in personal project in connection with your employment with the Company, or vi) breach of fiduciary duty owed to the Company. The Severance Payment will be paid in lump sum and in accordance with the Company's regular semi-monthly payroll practices and will begin on the Company's next regularly scheduled pay date following the latter of the Termination Date or the expiration of any applicable revocation period, unless otherwise required by law. The Severance Payment will be subject to appropriate federal and state withholding.

Please sign in the space below to confirm that you have read, understood, and agree to all terms and conditions of employment as outlined above.

Kind regards,

Craig Denson
President

cc: Human Resources

ACCEPTED BY: Mesfin Demise
/s/ Mesfin Demise
Signature

Exhibit 10.2

EXECUTION COPY

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 20, 2015 (the "Effective Date") is entered into by and between HC2 Holdings, Inc. (the "Company"), and Michael Sena ("Executive").

WHEREAS, the Company has offered to employ Executive, and Executive has agreed to be employed by the Company, pursuant to the terms of this Agreement,

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

1. Term; Effectiveness. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive and Executive agrees to be employed by the Company as an at-will employee as of the Effective Date. As an at-will employee, the Company may terminate Executive's employment at any time, with or without reason, and Executive may resign at any time, with or without reason, both subject to the notice provisions in Section 5. The entire period during which Executive is employed by the Company is at times referred to herein as the "Employment Period."

2. Definitions. For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.

   (a) "Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has a direct or indirect ownership interest of more than five percent (5%) shall be treated as an Affiliate of the Company.

   (b) "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

   (c) "Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity.

   (d) "Subsidiary" means, with respect to any Person, (i) any corporation of which at least a majority of the voting power with respect to the capital stock is owned, directly or indirectly, by such Person, any of its other Subsidiaries or any combination thereof or (ii) any Person other than a corporation in which such Person, any of its other Subsidiaries or any combination thereof has, directly or indirectly, at least a majority of the total equity or other ownership interest therein.

(e) "Termination Date" means the last day that Executive is employed by the Company. For the avoidance of doubt, the Termination Date shall mean the last date of employment, whether such day is selected by mutual agreement with Executive or unilaterally by the Company or by Executive and whether with or without advance notice.

3. Duties and Responsibilities.

(a) Executive agrees to be employed by the Company and be actively engaged in the business and activities of the Company and its Affiliates during the Employment Period, and to devote considerable time and attention to the Company and its Affiliates and the promotion of its business and interests and in no event less time than is reasonably required for the full performance of Executive's duties and responsibilities hereunder During the Employment Period, Executive agrees to use his reasonable best efforts to ensure that the business and activities of the Company and its Affiliates are conducted in compliance with all applicable laws, rules and regulations in all material respects. Executive shall be employed hereunder with the title Chief Financial Officer of the Company with such duties and responsibilities customarily associated with this position under Delaware law, as directed from time to time by the Company and reporting solely to the Chairman of the Company. Executive agrees to cooperate with reasonable requests of the Company to provide services to the Company's Affiliates in accordance with Company policies.

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

4. Compensation and Related Matters.

(a) Base Compensation. During the Employment Period, for all services rendered under this Agreement, Executive shall receive aggregate annual base salary ("Base Salary") at a rate of $300,000 per annum, payable in accordance with payroll practices applicable to Company employees.

(b) Signing Bonus. In consideration of Executive's execution of this Agreement, Executive shall receive a one-time cash bonus payment equal to $150,000, which bonus shall be paid to Executive prior to the sixth month anniversary of the Effective Date.

(c) Annual Minimum Bonus. Executive shall be entitled to receive a minimum annual cash bonus payment equal to $150,000 per year with respect to each of the first two years of Executive's employment with the Company (each such payment, a "Minimum Annual Bonus Payment"), The Company shall use its reasonable efforts to pay such Minimum Annual Bonus Payment to Executive within 75 days of each of December 31, 2015 and December 31, 2016 and such payment will be paid at the same time as bonuses to other employees. Executive shall be entitled to payment of the Minimum Annual Bonus Payment, if any, only if Executive is employed by the Company on the date of payment; provided however that if Executive's employment is terminated by the Company Without Cause (as defined below) or by Executive for Good Reason, Executive shall be entitled to a lump sum payment within 75 days of such termination equal to the full amount of all Minimum Annual Bonus Payments not yet paid as of such termination date that Executive would have received if Executive would have remained employed until March 15, 2017.

(d) Annual Discretionary Bonus. In addition, the Compensation Committee, in its discretion, and in consultation with Chairman, President and Chief Executive Officer, may choose to include Executive under the 2014 Bonus Executive Plan (any such bonus, a "Discretionary Bonus" and such plan, the "Bonus Plan"). If granted, Executive shall be entitled to payment of the Discretionary Bonus, if any, only if Executive is employed by the Company on the payment date specified therefore in the Bonus Plan or by decision of the Compensation Committee. It is acknowledged and agreed that during the first two years of Executive's employment the Discretionary Bonus shall have a target amount of $150,000 and that the Discretionary Bonus may be paid in equity. The amount, type and terms of any Discretionary Bonus shall remain to be determined in the sole discretion of the Compensation Committee. The Discretionary Bonuses, if any, are intended to qualify as performance based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

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

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

(g) Vacation. During the Employment Period, Executive shall be eligible for paid time off ("PTO") of 27 days annually as provided in applicable Company policies.

(h) Initial Equity Grants. Executive shall receive a number of shares of Restricted Stock equal to the product of (i) $957,000 divided by (ii) the average of the Company's closing price for a share of the Company's common stock on each trading day during the 20 trading days period ending on the date immediately prior to the Effective Date. For Form 4 and tax purposes, all equity grants shall equal the Fair Market Value (such Fair Market Value determined in accordance with the definition of "Fair Market Value" under the HC2 2014 Omnibus Equity Award Plan (the "Plan")). The Restricted Stock shall vest and the restrictions shall lapse for forty-three percent (43%) of such shares on November 30, 2015, for forty percent (40%) of such shares on November 30, 2016, and for the remainder of such shares on November 30, 2017, in each case, subject to Executive's continued employment on the applicable vesting date; provided, however that if Executive's employment is terminated by the Company Without Cause or by Executive for Good Reason, all outstanding, but unvested shares of Restricted Stock shall automatically vest at such time. The Restricted Stock shall be further subject to the terms of the Plan and an award agreement thereunder in such form as is specified by the Plan or the Compensation Committee.

(i) Ongoing Equity Grants. Executive shall be eligible for equity grants and other long-term incentives at the same time as equity grants and other long-term incentive awards are granted to other senior executives of the Company generally, subject to approval of the Compensation Committee in its discretion, and the amount of such equity grants or other long-term incentives.

5. Termination of Employment.

(a) Executive's employment shall automatically and immediately terminate upon Executive's death. Executive's employment may be terminated by the Company at any time because of Disability (defined below), or for Cause (defined below), or for any reason other than Cause or Disability ("Without Cause"), by delivering notice of such termination, and may be terminated by Executive at any time for Good Reason (defined below) or for any other reason, provided, however, Executive shall be required to give the Company at least 30 days advance written notice of any resignation, and the Company shall be required to give Executive at least 30 days advance written notice of any termination Without Cause. The Company may, in its discretion, require Executive to cease performing services for the Company, in whole or part, during any portion of such 30 day notice period, in which event the Company will continue to pay Base Salary, if any, and provide benefits (including, but not limited to, continued vesting of equity grants that would otherwise have vested during such 30 day notice period) and calculate bonuses, if any, through the end of such 30 day period.

(b) Following any termination of Executive's employment, notwithstanding any provision to the contrary in this Agreement, the obligations of the Company to pay or provide Executive with compensation and benefits under Section 4 shall cease as of the Termination Date, except as otherwise provided herein, and the Company shall have no further obligations to provide compensation or benefits to Executive hereunder except (i) for payment of any accrued but unpaid Base Salary, if any, and PTO and unreimbursed expenses under Section 4(f) incurred through the Termination Date, (ii) for the payment of any non-deferred cash portion of any discretionary Bonus awarded in respect of the fiscal year prior to the fiscal year in which termination of employment occurs but unpaid as of the Termination Date (which will be paid when such non-deferred cash portion of the discretionary Bonus would otherwise be payable), (iii) as set forth in any other benefit plans, programs or arrangements applicable to terminated employees in which Executive participates, and (iv) as otherwise expressly required by applicable statute. Notwithstanding any provision to the contrary in this Agreement (including the above provisions of this paragraph), if Executive's employment is terminated for Cause or if Executive resigns without Good Reason, Executive shall not be entitled to receive any previously unpaid portion of the current or any prior fiscal year's discretionary Bonus.

(c) If Executive's employment is terminated by the Company Without Cause or by Executive for Good Reason, then, in addition to the entitlements described in Section 5(b), Executive shall be entitled to severance payments and benefits in accordance with, and subject to the terms of, the Company's Severance Guidelines in effect as of the Termination Date.

(i) "Cause" means: (A) Executive's willful misconduct in the performance of his duties for the Company that causes material injury to the Company, (B) Executive's conviction of, or plea of guilty or nolo contendere to, a felony (or the equivalent of a felony in a jurisdiction other than the United States), or Executive's willfully engaging in illegal conduct that is detrimental to the Company, (C) Executive's material breach of Sections 7, 8 or 10 of this Agreement, (D) Executive's willful violation of the Company's written policies in a manner that is detrimental to the best interests of the Company; (E) Executive's fraud or misappropriation, embezzlement, or misuse of funds or property belonging to the Company; (F) Executive's act of personal dishonesty that results in personal profit in connection with Executive's employment with the Company; (G) Executive's breach of fiduciary duty owed to the Company; or (H) Executive's willful negligence of his duties, which results in the loss of a material amount of capital of the Company or its Affiliates (the Company shall make the determination of materiality and shall promptly communicate such determination to Executive); provided, however, that Executive shall be provided a ten (10)-day period to cure any of the events or occurrences described in the immediately preceding clauses (C) or (D) hereof, to the extent curable. For purposes hereof, no act, or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. An act, or failure to act, based on specific authority given pursuant to a resolution duly adopted by the Board shall be presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

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

(iii) "Good Reason" means the occurrence, without Executive's express written consent, of any of the following: (i) a material diminution in Executive's authority, duties or responsibilities, any diminution in Executive's title or position, or any change in the reporting structure whereby Executive is required to report to a Company officer other than the Chief Executive Officer or Chairman; (ii) a reduction in Base Salary set forth in Section 4(a) hereof or Discretionary Bonus opportunity set forth in Section 4(d) hereof; (iii) a failure to pay the Signing Bonus set forth in Section 4(b) or the Minimum Annual Bonus Payments set forth in Section 4(c); (iv) the relocation of Executive's principal place of employment outside of New York City; (v) the failure of the Company's successor to assume this Agreement; or (vi) any other material breach of a provision of this Agreement by the Company. Executive shall give the Company a written notice specifying in detail the event or circumstances claimed to give rise to Good Reason within 90 days after Executive has knowledge that an event or circumstances constituting Good Reason has occurred, and if Executive fails to provide such timely notice, then such event or circumstances will no longer constitute Good Reason. The Company shall have 30 days to cure the event or circumstances described in such notice, and if such event or circumstances are not timely cured, then Executive must actually terminate employment within 30 days following the expiration of such cure period; otherwise, such event or circumstances will no longer constitute Good Reason.

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

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

6. Acknowledgments.

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

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

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

7. Noncompetition and Nonsolicitation.

(a) Executive agrees that Executive shall not, directly or indirectly, whether by Executive, through an Affiliate or in partnership or conjunction with, or as an employee, officer, director, manager, member, owner, consultant or agent of, any other Person:

(i) while an employee of the Company and during the same number of months as Executive is provided severance pursuant to the Company Severance Guidelines, engage, directly or indirectly, in activities or businesses (including without limitation by owning any interest in, managing, controlling, participating in, consulting with, advising, rendering services for, or in any manner engaging in the business of owning, operating or managing any business) within the United States (including its territories or possessions), and/or other territories (in which the Company, its Affiliates or Subsidiaries conduct business as of the Termination Date) that competes in the United States and/or such other territories with the Company, its Subsidiaries or Affiliates ("Competitive Activities") or any business that acquires all or substantially all of the assets of, or is otherwise a successor to, the Company (an "Other Employing Entity");

(ii) while an employee of the Company and during the period ending on the eighteen (18) month anniversary of Executive's Termination Date, solicit, entice, encourage or intentionally influence, or attempt to solicit, entice, encourage or influence, any employee of, or other Person who performs services for the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries to resign or leave the employ or engagement of the Company or any of their respective Affiliates or otherwise hire, employ, engage or contract any such employee or Person, or any other Person who provided services to the Company or any of their respective Affiliates during the 6 months prior to such hiring, employment, engagement or contracting, to perform services other than for the benefit of the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries;

(iii) while an employee of the Company and during the period ending on the 18 month anniversary of Executive's Termination Date, solicit, entice, encourage, influence, accept payment from, or provide services to, or attempt to solicit, entice, encourage, influence or accept payment from, or assist any other Person, firm or corporation, directly or indirectly, in the solicitation of or providing services to, any Client (as defined below) or any Prospective Client (as defined below), for the direct or indirect benefit of any competitor of the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries, in each case other than in the fulfillment of Executive's duties to the Company;

(iv) while an employee of the Company and during the period ending on the 18 month anniversary of Executive's date of termination of employment, directly or indirectly request or advise any Client or Prospective Client to alter, reduce, terminate, withdraw, curtail, or cancel the Client's or Prospective Client's business with the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries, in each case other than in the fulfillment of Executive's duties to the Company; or

(v) while an employee of the Company and during the period ending on the 18 month anniversary of Executive's Termination Date, solicit any agents, advisors, independent contractors or consultants of the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries who are under contract or doing business with the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries to terminate, reduce or divert business with or from the Company, any Other Employing Entity or any of their respective Affiliates or Subsidiaries.

(vi) For purposes of this Agreement, "Client" means a Person to whom the Company, its Subsidiaries or Affiliates sold goods or provided services, and with whom Executive had substantial contacts, dealings or client relationship responsibilities (either directly or through supervising other employees who had such responsibilities) on behalf of the Company, its Subsidiaries or its Affiliates, at any time while Executive is employed by the Company (the "Look Back Period") (but if Executive is not employed by the Company at the time of any activity described in Section 7(a)(iii) and 7(a)(iv), then the Look Back Period will not be longer than one (1) year prior to Executive's last day of employment), provided, however, a Client does not include any Person who became a client of the Company, its Affiliates or Subsidiaries both (A) as a result of a professional or social relationship that Executive developed with such Person before becoming employed by the Company or any of its Affiliates, and (B) without investment or assistance by the Company; and "Prospective Client" shall mean those Persons (X) that the Company is actively soliciting or is planning to solicit; and (Y) with whom Executive has met or with respect to which Executive has obtained Confidential Information in the course of or as a result of his performance of his duties to the Company.

(b) Notwithstanding Section 7(a), it shall not constitute a violation of Section 7(a) for Executive to hold not more than two percent (2%) of the outstanding securities of any class of any publicly-traded securities of a company that is engaged in Competitive Activities.

(c) The restrictive periods set forth in the Section 7(a) shall be deemed automatically extended by any period in which Executive is in violation of any of the provisions of Section 7(a), to the extent permitted by law.

(d) If a final and non-appealable judicial determination is made by a court of competent jurisdiction that any of the provisions of this Section 7 constitutes an unreasonable or otherwise unenforceable restriction against Executive, the provisions of this Section 7 will not be rendered void but will be deemed to be modified to the minimum extent necessary to remain in force and effect for the longest period and largest geographic area that would not constitute such an unreasonable or unenforceable restriction (and such court shall have the power to reduce the duration or restrict or redefine the geographic scope of such provision and to enforce such provision as so reduced, restricted or redefined).

(e) Moreover, and without limiting the generality of Section 13, notwithstanding the fact that any provision of this Section 7 is determined not to be specifically enforceable, the Company will nevertheless be entitled to recover monetary damages as a result of Executive's breach of any such provision.

8. Nondisclosure of Confidential Information.

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

(b) For purposes of this Agreement, "Confidential Information" means information, observations and data concerning the Company and its Affiliates, or any of their respective present or former members, partners, directors, employees or agents, or the family members thereof, including, without limitation, all business information (whether or not in written form) which relates to any of the foregoing Persons, or any of their respective customers, suppliers or contractors or any other third parties in respect of which the Company or any of its Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: investment methodologies, investment advisory contracts, fees and fee schedules; investment performance of the accounts managed by the Company or its respective Affiliates ("Track Records"); technical information or reports; brand names, trademarks, formulas; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer or investor lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; analyses or plans relating to the acquisition or development of businesses, or relating to the sale of Subsidiaries or Company assets; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation, employee evaluations, or other personnel-related information; contracts; and supplier lists. Without limiting the foregoing, Executive agrees to keep confidential the existence of, and any information concerning, any dispute between Executive and the Company or their respective Subsidiaries and Affiliates, except that Executive may disclose information concerning such dispute to the court or arbitrator that is considering such dispute or to their respective legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of such dispute). Executive acknowledges and agrees that the Track Records were the work of teams of individuals and not any one individual and are the exclusive property of the Company and its Affiliates, and agrees that he shall in no event claim the Track Records as his own following termination of his employment for the Company.

(c) Except as set forth otherwise in this Agreement, Executive agrees that Executive shall not disclose the terms of this Agreement, except to Executive's immediate family and Executive's financial and legal advisors, or if previously disclosed by the Company in any public filing, or as may be required by law or ordered by a court or applicable under Section 12 of this Agreement. Executive further agrees that any disclosure to Executive's financial and legal advisors will only be made after such advisors acknowledge and agree to maintain the confidentiality of this Agreement and its terms.

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

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

10. Intellectual Property Rights.

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

(b) Executive agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall do any and all reasonable and lawful things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and/or patent applications or assignments. To the extent Executive has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Executive unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 10(b) is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of Executive's employment by the Company. Executive further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall assist the Company in every reasonable, proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. To this end, Executive shall execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Executive shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. Executive's obligation to provide reasonable assistance to the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of the Employment Period.

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

11. Nondisparagement.

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

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

(c) For the purposes of this Section 11, "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity, morality, business acumen or abilities of the individual or entity being disparaged.

(d) Notwithstanding the foregoing, this Section 11 does not apply to (i) any truthful testimony, pleading, or sworn statements in any legal proceeding; (ii) attorney-client communications; or (iii) any communications with a government or regulatory agency, and further, it shall not be construed to prevent Executive from filing a charge with the Equal Employment Opportunity Commission or a comparable state or local agency.

12. Notification of Employment or Service Provider Relationship. Executive hereby agrees that prior to accepting employment with, or agreeing to provide services to, any other Person during any period during which Executive remains subject to any of the covenants set forth in Section 7, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered to the Company not later than 7 days prior to the date on which Executive is scheduled to commence such employment or engagement.

13. Remedies and Injunctive Relief. Executive acknowledges that a violation by Executive of any of the covenants contained in Section 7, 8, 9, 10 or 11 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, the Company may be entitled to seek (without the necessity of showing economic loss or other actual damage and without the requirement to post a bond) to injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 7, 8, 9, 10 or 11 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company's rights shall be unrestricted.

14. Representations of Executive; Advice of Counsel.

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

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

15. Cooperation. Executive agrees that, upon reasonable notice and without the necessity of the Company obtaining a subpoena or court order, Executive shall provide reasonable cooperation in connection with any suit, action or proceeding (or any appeal from any suit, action or proceeding), or the decision to commence on behalf of the Company any suit, action or proceeding, and any investigation and/or defense of any claims asserted against any of the Company's or its Affiliates' current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, which relates to events occurring during Executive's employment hereunder by the Company as to which Executive may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and/or providing testimony at depositions and at trial), provided that with respect to such cooperation occurring following termination of the Employment Period, the Company shall reimburse Executive for expenses reasonably incurred in connection therewith and shall schedule such cooperation to the extent reasonably practicable so as not to unreasonably interfere with Executive's business or personal affairs. Notwithstanding anything to the contrary, in the event the Company requests cooperation from Executive after his employment with the Company has terminated and at a time when Executive is not receiving any severance pay from the Company, Executive shall not be required to devote more than forty (40) hours of his time per year with respect to this Section 15, except that such forty (40) hour cap shall not include or apply to any time spent testifying at a deposition or at trial, or spent testifying before or being interviewed by any administrative or regulatory agency.

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

17. Assignment.

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

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

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

18. Arbitration. Any controversy, claim or dispute between the parties relating to Executive's employment or termination of employment, whether or not the controversy, claim or dispute arises under this Agreement (other than any controversy or claim arising under Section 7 or Section 8), shall be resolved by arbitration in New York County, New York, in accordance with the Employment Arbitration Rules and Mediation Procedures ("Rules") of the American Arbitration Association through a single arbitrator selected in accordance with the Rules. The decision of the arbitrator shall be rendered within 30 days of the close of the arbitration hearing and shall include written findings of fact and conclusions of law reflecting the appropriate substantive law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof in the State of New York. In reaching his or her decision, the arbitrator shall have no authority (a) to authorize or require the parties to engage in discovery (provided, however, that the arbitrator may schedule the time by which the parties must exchange copies of the exhibits that, and the names of the witnesses whom, the parties intend to present at the hearing), (b) to interpret or enforce Section 7 or Section 8 of this Agreement (for which Section 19 shall provide the sole and exclusive venue), (c) to change or modify any provision of this Agreement, (d) to base any part of his or her decision on the common law principle of constructive termination, or (e) to award punitive damages or any other damages not measured by the prevailing party's actual damages and may not make any ruling, finding or award that does not conform to this Agreement. Each party shall bear all of his or its own legal fees, costs and expenses of arbitration to the fullest extent permitted by applicable law, and one-half (½) of the costs of the arbitrator.

19. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to its conflict of law provisions, except that Section 18 and any arbitration proceeding pursuant to Section 18 shall be governed by the Federal Arbitration Act ("FAA") to the extent it is applicable and by New York law to the extent that the FAA is not applicable. Furthermore, as to Section 7 and Section 8, Executive and the Company each agrees and consents to submit to personal jurisdiction in the state of New York in any state or federal court of competent subject matter jurisdiction situated in New York County, New York. Executive and the Company further agree that the sole and exclusive venue for any suit arising out of, or seeking to enforce, the terms of Section 7 and Section 8 of this Agreement shall be in a state or federal court of competent subject matter jurisdiction situated in New York County, New York. In addition, Executive and the Company waive any right to challenge in another court any judgment entered by such New York County court or to assert that any action instituted by the Company in any such court is in the improper venue or should be transferred to a more convenient forum. **Further, Executive and the Company waive any right he may otherwise have to a trial by jury in any action to enforce the terms of this Agreement.** The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 26, or such other updated address as has been provided to the other party from time to time in accordance with Section 26. Each party shall bear its own costs and expenses (including their respective attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement.

20. Amendment; No Waiver; Section 409A

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

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

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

(d) Notwithstanding anything in this Agreement to the contrary, in the event that Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Executive prior to the date that is 6 months after the date of Executive's "separation from service" (as defined in Section 409A) or, if earlier, Executive's date of death. Following any applicable 6 month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. For purposes of Section 409A, each of the payments that may be made under this Agreement are designated as separate payments.

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

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

21. Severability. If any provision or any part thereof of this Agreement, including Sections 7, 8, 9, 10 and 11 hereof, as applied to either party or to any circumstances, shall be adjudged by a court of competent jurisdiction to be invalid or unenforceable, the same shall in no way affect any other provision or remaining part thereof of this Agreement, which shall be given full effect without regard to the invalid or unenforceable provision or part thereof, or the validity or enforceability of this Agreement. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

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

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

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

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

26. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand , or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to Executive at the most recent address listed in Company records and to the Company at the following address (or at such other address for a party as shall be specified by like notice):

If to the Company: Andrea Mancuso
General Counsel
Attn: Legal Department
505 Huntmar Park Drive #325
Herndon, VA 20170

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

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

[Signature Page Follows]

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

HC2 HOLDINGS, INC.

By: ______________________

Name: Andrea L. Mancuso

Title: General Counsel

Michael Sena

/s/ Michael Sena

[Signature Page to Employment Agreement]

Exhibit 31

CERTIFICATIONS

I, Philip A. Falcone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HC2 Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 10, 2015

By: /S/ Philip A. Falcone
Name: **Philip A. Falcone**
Title: **Chairman, President, and Chief Executive Officer**
(Principal Executive Officer)

CERTIFICATIONS

I, Michael Sena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HC2 Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 10, 2015

By: /S/ Michael Sena
Name: **Michael Sena**
Title: **Chief Financial Officer**
(Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATION

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. §1350, as adopted), Philip A. Falcone, the Chairman, President and Chief Executive Officer (Principal Executive Officer) of HC2 Holdings, Inc. (the "Company"), and Michael Sena, the Chief Financial Officer, Corporate Controller and Treasurer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, to which this Certification is attached as Exhibit 32 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: August 10, 2015

/S/ Philip A. Falcone	/S/ Michael Sena
Philip A. Falcone	**Michael Sena**
Chairman, President and Chief Executive Officer	**Chief Financial Officer**
(Principal Executive Officer)	**(Principal Financial and Accounting Officer)**