

**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 **September 30, 2019**
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
(State or other jurisdiction of
incorporation or organization)
450 Park Avenue, 30th Floor, New York, NY
(Address of principal executive offices)

54-1708481
(I.R.S. Employer
Identification No.)
10022
(Zip Code)

(212) 235-2690
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	HCHC	New York Stock Exchange

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 every Interactive Data File required to be submitted 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 31, 2019, 45,935,196 shares of common stock, par value \$0.001, were outstanding.

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

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 397.5	\$ 444.8	\$ 1,242.3	\$ 1,315.3
Life, accident and health earned premiums, net	28.9	25.4	88.7	65.3
Net investment income	51.2	31.7	152.6	68.8
Net realized and unrealized (losses) gains on investments	(1.9)	(0.5)	2.1	2.4
Net revenue	475.7	501.4	1,485.7	1,451.8
Operating expenses				
Cost of revenue	337.0	402.9	1,075.9	1,179.2
Policy benefits, changes in reserves, and commissions	66.1	66.5	166.8	134.1
Selling, general and administrative	54.4	50.9	159.4	160.0
Depreciation and amortization	8.6	6.2	23.1	25.0
Other operating income	—	(0.8)	(1.6)	(2.9)
Total operating expenses	466.1	525.7	1,423.6	1,495.4
Income (loss) from operations	9.6	(24.3)	62.1	(43.6)
Interest expense	(24.0)	(17.5)	(69.3)	(54.0)
Gain on sale and deconsolidation of subsidiary	—	3.0	—	105.1
Income from equity investees	0.3	8.1	1.5	13.7
Gain on bargain purchase	—	109.1	1.1	109.1
Other income, net	6.8	63.9	5.4	64.0
(Loss) income from continuing operations	(7.3)	142.3	0.8	194.3
Income tax (expense) benefit	(1.0)	9.2	(6.2)	(1.9)
Net (loss) income	(8.3)	151.5	(5.4)	192.4
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	1.2	2.0	4.9	(18.6)
Net (loss) income attributable to HC2 Holdings, Inc.	(7.1)	153.5	(0.5)	173.8
Less: Preferred dividends, deemed dividends, and repurchase gains	0.4	0.7	(0.4)	2.1
Net (loss) income attributable to common stock and participating preferred stockholders	\$ (7.5)	\$ 152.8	\$ (0.1)	\$ 171.7
(Loss) income per common share				
Basic	\$ (0.16)	\$ 3.09	\$ —	\$ 3.48
Diluted	\$ (0.16)	\$ 2.97	\$ —	\$ 3.38
Weighted average common shares outstanding:				
Basic	45.7	44.3	45.4	44.2
Diluted	45.7	46.2	45.4	45.6

See notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net (loss) income	\$ (8.3)	\$ 151.5	\$ (5.4)	\$ 192.4
Other comprehensive income (loss)				
Foreign currency translation adjustment	(2.7)	(2.0)	(2.5)	(3.7)
Unrealized gain (loss) on available-for-sale securities	82.4	(22.7)	312.0	(74.2)
Other comprehensive income (loss)	79.7	(24.7)	309.5	(77.9)
Comprehensive income	71.4	126.8	304.1	114.5
Net (income) loss attributable to noncontrolling interest and redeemable noncontrolling interest	1.9	2.6	5.5	(17.6)
Comprehensive income attributable to HC2 Holdings, Inc.	\$ 73.3	\$ 129.4	\$ 309.6	\$ 96.9

See notes to Condensed Consolidated Financial Statements

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Investments:		
Fixed maturity securities, available-for-sale at fair value	\$ 3,975.5	\$ 3,391.6
Equity securities	104.3	200.5
Mortgage loans	165.7	137.6
Policy loans	19.1	19.8
Other invested assets	84.4	72.5
Total investments	4,349.0	3,822.0
Cash and cash equivalents	276.9	325.0
Accounts receivable, net	293.3	379.2
Recoverable from reinsurers	947.9	1,000.2
Deferred tax asset	2.0	2.1
Property, plant and equipment, net	405.8	376.3
Goodwill	177.1	171.7
Intangibles, net	223.7	219.2
Other assets	269.8	208.1
Total assets	\$ 6,945.5	\$ 6,503.8
Liabilities, temporary equity and stockholders' equity		
Life, accident and health reserves	\$ 4,543.5	\$ 4,562.1
Annuity reserves	236.9	245.2
Value of business acquired	226.1	244.6
Accounts payable and other current liabilities	329.1	344.9
Deferred tax liability	83.7	30.3
Debt obligations	820.4	743.9
Other liabilities	183.1	110.8
Total liabilities	6,422.8	6,281.8
Commitments and contingencies		
Temporary equity		
Preferred stock	10.3	20.3
Redeemable noncontrolling interest	11.0	8.0
Total temporary equity	21.3	28.3
Stockholders' equity		
Common stock, \$.001 par value	—	—
Shares authorized: 80,000,000 at September 30, 2019 and December 31, 2018;		
Shares issued: 46,554,499 and 45,391,397 at September 30, 2019 and December 31, 2018;		
Shares outstanding: 45,850,584 and 44,907,818 at September 30, 2019 and December 31, 2018, respectively		
Additional paid-in capital	272.6	260.5
Treasury stock, at cost: 703,915 and 483,579 shares at September 30, 2019 and December 31, 2018, respectively	(3.2)	(2.6)
Accumulated deficit	(62.0)	(57.2)
Accumulated other comprehensive income (loss)	197.4	(112.6)
Total HC2 Holdings, Inc. stockholders' equity	404.8	88.1
Noncontrolling interest	96.6	105.6
Total stockholders' equity	501.4	193.7
Total liabilities, temporary equity and stockholders' equity	\$ 6,945.5	\$ 6,503.8

See notes to Condensed Consolidated Financial Statements

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in millions)

Three Months Ended September 30, 2019

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of June 30, 2019	45.8	\$ —	\$ 270.9	\$ (3.2)	\$ (54.9)	\$ 117.1	\$ 329.9	\$ 100.9	\$ 430.8	\$ 20.6
Share-based compensation	—	—	2.0	—	—	—	2.0	—	2.0	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(1.1)	—	—	—	(1.1)	—	(1.1)	1.1
Preferred stock dividend	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	—
Issuance of common stock	0.1	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	1.3	—	—	—	1.3	(2.9)	(1.6)	0.1
Other	—	—	(0.3)	—	—	—	(0.3)	—	(0.3)	—
Net income (loss)	—	—	—	—	(7.1)	—	(7.1)	(0.8)	(7.9)	(0.4)
Other comprehensive income (loss)	—	—	—	—	—	80.3	80.3	(0.6)	79.7	(0.1)
Balance as of September 30, 2019	45.9	\$ —	\$ 272.6	\$ (3.2)	\$ (62.0)	\$ 197.4	\$ 404.8	\$ 96.6	\$ 501.4	\$ 21.3

Nine Months Ended September 30, 2019

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of December 31, 2018	44.9	\$ —	\$ 260.5	\$ (2.6)	\$ (57.2)	\$ (112.6)	\$ 88.1	\$ 105.6	\$ 193.7	\$ 28.3
Cumulative effect of accounting for leases (1)	—	—	—	—	(4.3)	—	(4.3)	(0.7)	(5.0)	(0.1)
Share-based compensation	—	—	6.7	—	—	—	6.7	—	6.7	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(0.9)	—	—	—	(0.9)	—	(0.9)	0.9
Taxes paid in lieu of shares issued for share-based compensation	(0.2)	—	—	(0.6)	—	—	(0.6)	—	(0.6)	—
Preferred stock dividend	—	—	(0.7)	—	—	—	(0.7)	—	(0.7)	—
Issuance of common stock	1.2	—	—	—	—	—	—	—	—	—
Purchase of preferred stock by subsidiary	—	—	1.7	—	—	—	1.7	—	1.7	(10.0)
Transactions with noncontrolling interests	—	—	6.0	—	—	—	6.0	(3.8)	2.2	3.2
Other	—	—	(0.7)	—	—	—	(0.7)	—	(0.7)	—
Net income (loss)	—	—	—	—	(0.5)	—	(0.5)	(4.0)	(4.5)	(0.9)
Other comprehensive income	—	—	—	—	—	310.0	310.0	(0.5)	309.5	(0.1)
Balance as of September 30, 2019	45.9	\$ —	\$ 272.6	\$ (3.2)	\$ (62.0)	\$ 197.4	\$ 404.8	\$ 96.6	\$ 501.4	\$ 21.3

(1) See Note 2. Summary of Significant Accounting Policies for further information about adjustments resulting from the Company's adoption of new accounting standards in 2019 and 2018, respectively

See notes to Condensed Consolidated Financial Statements

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in millions)

Three Months Ended September 30, 2018

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of June 30, 2018	44.7	\$ —	\$ 260.0	\$ (2.4)	\$ (197.1)	\$ (9.0)	\$ 51.5	\$ 109.3	\$ 160.8	\$ 34.7
Share-based compensation	—	—	4.2	—	—	—	4.2	—	4.2	—
Fair value adjustment of redeemable noncontrolling interest	—	—	0.6	—	—	—	0.6	—	0.6	(0.6)
Exercise of stock options	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	—
Preferred stock dividend	—	—	(0.5)	—	—	—	(0.5)	—	(0.5)	—
Transactions with noncontrolling interests	—	—	(0.2)	—	—	—	(0.2)	1.0	0.8	1.2
Net income	—	—	—	—	153.4	—	153.4	(1.8)	151.6	(0.1)
Other comprehensive income (loss)	—	—	—	—	—	(24.2)	(24.2)	(0.6)	(24.8)	—
Balance as of September 30, 2018	44.7	\$ —	\$ 263.9	\$ (2.4)	\$ (43.7)	\$ (33.2)	\$ 184.6	\$ 107.9	\$ 292.5	\$ 35.2

Nine Months Ended September 30, 2018

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of December 31, 2017	44.2	\$ —	\$ 254.7	\$ (2.1)	\$ (221.2)	\$ 41.7	\$ 73.1	\$ 115.0	\$ 188.1	\$ 27.9
Cumulative effect of accounting for revenue recognition ⁽¹⁾	—	—	—	—	0.4	—	0.4	0.3	0.7	—
Cumulative effect of accounting for the recognition and measurement of financial assets and financial liabilities ⁽¹⁾	—	—	—	—	3.3	(1.7)	1.6	—	1.6	—
Share-based compensation	—	—	10.8	—	—	—	10.8	—	10.8	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(2.7)	—	—	—	(2.7)	—	(2.7)	2.7
Exercise of stock options	0.1	—	0.2	—	—	—	0.2	—	0.2	—
Taxes paid in lieu of shares issued for share-based compensation	(0.1)	—	—	(0.3)	—	—	(0.3)	—	(0.3)	—
Preferred stock dividend	—	—	(1.5)	—	—	—	(1.5)	—	(1.5)	—
Issuance of common stock	0.5	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	2.4	—	—	3.8	6.2	(26.7)	(20.5)	6.3
Net income	—	—	—	—	173.8	—	173.8	19.5	193.3	(0.9)
Other comprehensive income (loss)	—	—	—	—	—	(77.0)	(77.0)	(0.2)	(77.2)	(0.8)
Balance as of September 30, 2018	44.7	\$ —	\$ 263.9	\$ (2.4)	\$ (43.7)	\$ (33.2)	\$ 184.6	\$ 107.9	\$ 292.5	\$ 35.2

(1) See Note 2. Summary of Significant Accounting Policies for further information about adjustments resulting from the Company's adoption of new accounting standards in 2019 and 2018, respectively.

See notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net (loss) income	\$ (5.4)	\$ 192.4
Adjustments to reconcile net income to cash provided by operating activities		
Provision for doubtful accounts receivable	(0.7)	1.1
Share-based compensation expense	5.9	8.1
Depreciation and amortization	29.7	30.0
Amortization of deferred financing costs and debt discount	9.9	5.6
Amortization of (discount) premium on investments	6.2	4.4
Gain on embedded derivative	(4.0)	—
Gain on sale or disposal of assets	(0.8)	(3.3)
Gain on sale and deconsolidation of subsidiary	—	(105.1)
Gain on bargain purchase	(1.1)	(109.1)
Income from equity investees	(1.5)	(13.7)
Net realized and unrealized gains on investments	(8.7)	(49.1)
Receipt of dividends from equity investees	7.6	11.4
Annuity benefits	6.3	6.3
Other operating activities	4.2	3.1
Changes in assets and liabilities, net of acquisitions		
Accounts receivable	99.3	(28.7)
Recoverable from reinsurers	7.1	122.3
Other assets	(4.6)	(52.1)
Life, accident and health reserves	24.5	82.0
Accounts payable and other current liabilities	(26.2)	9.7
Other liabilities	(52.2)	21.4
Cash provided by operating activities	<u>95.5</u>	<u>136.7</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(27.4)	(32.3)
Disposal of property, plant and equipment	3.9	4.9
Purchase of investments	(806.4)	(515.6)
Sale of investments	565.0	192.3
Maturities and redemptions of investments	100.1	56.5
Cash received from dispositions, net	13.5	92.0
Cash (paid for) received from acquisitions, net	(56.9)	729.1
Other investing activities	6.7	(1.5)
Cash (used in) provided by investing activities	<u>(201.5)</u>	<u>525.4</u>
Cash flows from financing activities		
Proceeds from debt obligations	81.2	266.7
Principal payments on debt obligations	(16.3)	(163.7)
Cash received by subsidiary to issue preferred stock	8.9	—
Cash paid by subsidiary to purchase HC2 preferred stock	(8.3)	—
Annuity receipts	1.6	1.8
Annuity surrenders	(13.6)	(14.9)
Transactions with noncontrolling interests	3.5	(11.8)
Payment of dividends	(1.9)	(1.5)
Other financing activities	(1.7)	(0.9)
Cash provided by financing activities	<u>53.4</u>	<u>75.7</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.6	(0.5)
Net change in cash, cash equivalents and restricted cash	<u>(52.0)</u>	<u>737.3</u>
Cash, cash equivalents and restricted cash, beginning of period	330.4	98.9
Cash, cash equivalents and restricted cash, end of period	<u>\$ 278.4</u>	<u>\$ 836.2</u>

Supplemental cash flow information:

Cash paid for interest	\$	42.3	\$	36.2
Cash paid for taxes, net of refunds	\$	6.8	\$	13.3
Non-cash investing and financing activities:				
Property, plant and equipment included in accounts payable	\$	5.7	\$	2.6
Investments included in accounts payable	\$	14.6	\$	35.0
Declared but unpaid dividends from equity method investments included in other assets	\$	2.0	\$	13.3

See 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 consolidated 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 noncontrolling equity interest positions. The Company's shares of common stock trade on the NYSE under the symbol "HCHC".

The Company currently has eight reportable segments based on management's organization of the enterprise - Construction, Marine Services, Energy, Telecommunications, Insurance, Life Sciences, Broadcasting, and Other, which includes businesses that do not meet the separately reportable segment thresholds.

1. Our Construction segment is comprised of DBM Global Inc. ("DBMG") and its wholly-owned subsidiaries. DBMG is a fully integrated Building Information Modelling modeler, detailer, fabricator and erector of structural steel and heavy steel plate. DBMG models, details, fabricates and erects structural steel for commercial and industrial construction projects such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas, shopping malls, hospitals, dams, bridges, mines and power plants. DBMG also fabricates trusses and girders and specializes in the fabrication and erection of large-diameter water pipe and water storage tanks. Through GrayWolf, DBMG provides services including maintenance, repair, and installation to a diverse range of end markets in order to provide high-quality outage, turnaround, and new installation services to customers. Through Aitken Manufacturing, DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. The Company maintains an approximately 92% controlling interest in DBMG.
2. Our Marine Services segment is comprised of Global Marine Systems Limited ("GMSL"). GMSL is a leading provider of engineering and underwater services on submarine cables and operates under the Global Marine Group brand. GMSL aims to maintain its leading market position in the telecommunications maintenance segment and seeks opportunities to grow its installation activities in the three market sectors (telecommunications, offshore power, and oil and gas) while capitalizing on high market growth in the offshore power sector through expansion of its installation and maintenance services in that sector. The Company maintains an approximately 73% controlling interest in GMSL.
3. Our Energy segment is comprised of American Natural Gas, LLC ("ANG"). ANG is a premier distributor of natural gas motor fuel. ANG designs, builds, owns, acquires, operates and maintains compressed natural gas fueling stations for transportation vehicles. The Company maintains an approximately 69% controlling interest in ANG.
4. Our Telecommunications segment is comprised of PTGi International Carrier Services, Inc. ("ICS"). ICS operates a telecommunications business including a network of direct routes and provides premium voice communication services for national telecommunications operators, mobile operators, wholesale carriers, prepaid operators, voice over internet protocol service operators and internet service providers. ICS provides a quality service via direct routes and by forming strong relationships with carefully selected partners. The Company maintains a 100% interest in ICS.
5. Our Insurance segment is comprised of Continental Insurance Group Ltd. ("CIG") and its wholly-owned subsidiary Continental General Insurance Company ("CGI"). CGI provides long-term care, life, annuity, and other accident and health coverage that help protect policy and certificate holders from the financial hardships associated with illness, injury, loss of life, or income continuation. The Company maintains a 100% interest in CIG.
6. Our Life Sciences segment is comprised of Pansend Life Sciences, LLC ("Pansend"). Pansend maintains controlling interests of approximately 80% in Genovel Orthopedics, Inc. ("Genovel"), which seeks to develop products to treat early osteoarthritis of the knee, and approximately 63% in R2 Dermatology Inc. ("R2"), which develops skin lightening technology. Pansend also invests in other early stage or developmental stage healthcare companies including an approximately 47% interest in MediBeacon Inc., and an investment in Triple Ring Technologies, Inc.
7. Our Broadcasting segment is comprised of HC2 Broadcasting Holdings Inc. ("HC2 Broadcasting") and its subsidiaries. HC2 Broadcasting strategically acquires and operates over-the-air broadcasting stations across the United States. In addition, HC2 Broadcasting, through its wholly-owned subsidiary, HC2 Network Inc. ("Network"), operates Azteca America, a Spanish-language broadcast network offering high quality Hispanic content to a diverse demographic across the United States. The Company maintains an approximately 98% controlling interest in HC2 Broadcasting and an approximately 50% controlling interest in DTV America Corporation ("DTV") as well as approximately 10% proxy and voting rights from minority holders.
8. Our Other segment represents all other businesses or investments we believe have significant growth potential, that do not meet the definition of a segment individually or in the aggregate.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

2. Summary of Significant Accounting Policies

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 September 30, 2019, the results of DBMG, GMSL, ANG, ICS, CIG, Genovel, R2, and HC2 Broadcasting have been consolidated into the Company's results based on guidance from the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" 810, *Consolidation*). The remaining interests not owned by the Company are presented as a noncontrolling interest component of total equity.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Certain information and note disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation. These reclassifications and combinations had no effect on previously reported net loss attributable to controlling interest or accumulated deficit. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on March 12, 2019. The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2019.

Use of Estimates and Assumptions

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

Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents and restricted cash to amounts reported within the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows (in millions):

	September 30, 2019	September 30, 2018
Cash and cash equivalents, beginning of period	\$ 325.0	\$ 97.9
Restricted cash included in other assets, beginning of period	5.4	1.0
Total cash and cash equivalents and restricted cash, beginning of period	<u>\$ 330.4</u>	<u>\$ 98.9</u>
Cash and cash equivalents, end of period	\$ 276.9	\$ 831.7
Restricted cash included in other assets, end of period	1.5	4.5
Total cash and cash equivalents and restricted cash, end of period	<u>\$ 278.4</u>	<u>\$ 836.2</u>

Accounting Pronouncements Adopted in the Current Year

The Company's 2018 Form 10-K includes discussion of significant recent accounting pronouncements that either have impacted or may impact our financial statements in the future. The following discussion provides information about recently adopted and recently issued or changed accounting guidance (applicable to the Company) that have occurred since the Company filed its 2018 Form 10-K. The Company has implemented all new accounting pronouncements that are in effect and that may impact its Condensed Consolidated Financial Statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial condition, results of operations or liquidity.

Effective January 1, 2019 the Company adopted the accounting pronouncements described below.

Accounting for Leases

ASU 2016-02, Leases, was issued by FASB in February 2016. This standard requires the Company, as the lessee, to recognize most leases on the balance sheet thereby resulting in the recognition of right of use assets and lease obligations for those leases currently classified as operating leases. The standard became effective for the Company on January 1, 2019 and the Company elected the optional transition method as well as the package of practical expedients upon adoption. Upon adoption, the Company recognized right of use ("ROU") assets and lease liabilities in the amount of \$67.1 million and \$74.1 million, respectively, within Other assets and Other liabilities lines of the Condensed Consolidated Financial

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Statements, respectively, and utilizing the modified retrospective approach, we evaluated ROU assets for impairment and determined that approximately \$5.1 million of newly recognized ROU assets that existed immediately prior to the effective date were impaired. The impairment of ROU assets as of January 1, 2019, was recorded as a reduction to retained earnings and noncontrolling interests.

Accounting Pronouncements to be Adopted Subsequent to December 31, 2019

Credit Loss Standard

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, was issued by FASB in June 2016. This standard is effective January 1, 2020 (with early adoption permitted), and will impact, at least to some extent, the Company's accounting and disclosure requirements for its recoverable from reinsurers, accounts receivable, and mortgage loans. Available for sale fixed maturity securities are not in scope of the new credit loss model but will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. The Company will continue to identify any other financial assets not excluded from scope. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

Outlined below are key areas of change, although there are other changes not noted below:

Financial assets (or a group of financial assets) measured at amortized cost will be required to be presented at the net amount expected to be collected, with an allowance for credit losses deducted from the amortized cost basis, resulting in a net carrying value that reflects the amount the entity expects to collect on the financial asset at purchase.

Credit losses relating to available for sale fixed maturity securities will be recorded through an allowance for credit losses, rather than reductions in the amortized cost of the securities and is anticipated to increase volatility in the Company's Consolidated Statements of Operations. The allowance methodology recognizes that value may be realized either through collection of contractual cash flows or through the sale of the security. Therefore, the amount of the allowance for credit losses will be limited to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value.

The Company's Consolidated Statements of Operations will reflect the measurement of expected credit losses for newly recognized financial assets as well as the expected increases or decreases (including the reversal of previously recognized losses) of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

Disclosures will be required to include information around how the credit loss allowance was developed, further details on information currently disclosed about credit quality of financing receivables and net investments in leases, and a rollforward of the allowance for credit losses for available for sale fixed maturity securities as well as an aging analysis for securities that are past due.

The Company anticipates a significant impact on its systems, processes and controls. While the requirements of the new guidance represent a material change from existing GAAP, the underlying economics of items in scope and related cash flows are unchanged. The FASB has voted to delay the effective date of ASU 2016-13 to January 1, 2023 for smaller reporting companies with a revised ASU expected in the fourth quarter of 2019. Currently, the Company continues to focus on developing models and procedures, with testing and refinement of models occurring in 2020 and 2021 with parallel testing to be performed in 2022. Focus areas will include, but not be limited to: (i) updating procedures to reflect new guidance requiring establishment of allowance for credit losses on available for sale debt securities; (ii) establishing procedures to review reinsurance risk to include but not limited to review of reinsurer ratings, trust agreements where applicable and historical and current performance; (iii) establishing procedures to identify and review all remaining financial assets within scope; and (iv) developing, testing, and implementing controls for newly developed procedures, as well as for additional annual reporting requirements.

Long-Duration Contracts

ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, was issued by the FASB in August 2018 and is expected to have a significant impact on the Company's Consolidated Financial Statements and Notes to Consolidated Financial Statements. The standard is effective January 1, 2021 (with early adoption permitted), and will impact, at least to some extent, Company's accounting and disclosure requirements for its long-duration insurance contracts. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

Outlined below are key areas of change, although there are other changes not noted below:

- Cash flow assumptions must be reviewed at least annually and updated if necessary. The impact of these updates will be reported through net income. Current accounting policy requires the liability assumptions for long-duration contracts and limited payment contracts be locked in at contract inception, unless the contracts project a loss position which would allow the liability assumptions to be unlocked so that the loss could be recognized.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

- The rate used to discount the liability projections is to be based on an A-rated asset with observable market inputs and duration consistent with the duration of the liabilities. The discount rate is to be updated quarterly with the impact of the change in the discount rate recognized through other comprehensive income. Current accounting policy allows the use of an expected investment yield (which is not required to be observable in the market) to discount the liability projections.
- Deferred acquisition costs for long-duration contracts are to be amortized in proportion to premiums, gross profits, or gross margins and those balances must be amortized on a constant-level basis over the expected life of the contract. Current accounting policy would amortize deferred acquisition costs based on revenue and profits. The Company does not have any deferred acquisition costs but VOBA amortization will follow this new guidance.
- Market risk benefits are to be measured at fair value and presented separately in the statement of financial position. Under current accounting policy benefit features that will meet the definition of market risk benefits are accounted for as embedded derivatives or insurance liabilities via the benefit ratio model. The Company does not have any benefit features that will be categorized as market risk benefits.
- Disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, VOBA, as well as information about significant inputs, judgments, assumptions, and methods used in measurement are required to be disclosed.

The Company anticipates that the requirement to update assumptions for liability for future policy benefits will increase volatility in the Company's Consolidated Statements of Operations while the requirement to update the discount rate will increase volatility in the Company's Consolidated Statements of Stockholders' Equity. The Company anticipates a significant impact on the systems, processes and controls. While the requirements of the new guidance represent a material change from existing GAAP, the underlying economics of the Company's Insurance segment and related cash flows are unchanged.

The FASB has voted to delay the effective date of ASU 2018-12 to January 1, 2024 for smaller reporting companies with a revised ASU expected in the fourth quarter of 2019. Currently, the Company plans to focus on developing models and procedures through 2021, with testing and refinement of models occurring in 2022 and parallel testing to be performed in 2023. Focus areas will include, but not be limited to: (i) determining an appropriate upper-medium grade fixed income instrument yield source from the market; (ii) establishing appropriate aggregation of liabilities; (iii) establishing liability models for each contract grouping identified that may be quickly updated to reflect current inforce listing and new discount rates on a quarterly basis; (iv) establishing appropriate best estimate assumptions with no provision for adverse deviation; (v) establishing procedures for annual review of assumptions including tracking of actual experience for enhanced reporting requirements; (vi) establishing new VOBA amortization that will align with new guidance for DAC amortization; and (vii) developing, testing, and implementing controls for newly developed procedures, as well as for additional annual reporting requirements.

Subsequent Events

ASC 855, *Subsequent Events* requires the Company to evaluate events that occur after the balance sheet date as of which the financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. See Note 22. Subsequent Events for the summary of the subsequent events.

3. Revenue

Segments with revenues in scope of ASC 606, Contracts with customers, consist of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue ⁽¹⁾				
Construction	\$ 168.4	\$ 195.3	\$ 556.2	\$ 531.2
Marine Services	48.2	44.8	130.0	149.9
Energy	8.7	4.6	19.3	16.2
Telecommunications	162.2	187.8	507.0	580.6
Broadcasting	10.0	12.0	29.8	33.7
Other	—	0.3	—	3.7
Total revenue	<u>\$ 397.5</u>	<u>\$ 444.8</u>	<u>\$ 1,242.3</u>	<u>\$ 1,315.3</u>

⁽¹⁾ The Insurance segment does not have revenues in scope of ASC 606.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Accounts receivables, net from contracts with customers consist of the following (in millions):

	September 30, 2019	December 31, 2018
Accounts receivables with customers		
Construction	\$ 163.0	\$ 196.6
Marine Services	34.3	48.3
Energy	7.4	3.3
Telecommunications	61.1	117.6
Broadcasting	7.8	9.2
Total accounts receivables with customers	<u>\$ 273.6</u>	<u>\$ 375.0</u>

Construction Segment

The following table disaggregates DBMG's revenue by market (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Commercial	\$ 50.6	\$ 65.2	\$ 162.9	\$ 202.6
Convention	9.7	54.2	66.8	108.0
Healthcare	12.1	28.4	34.5	85.5
Industrial	63.1	13.8	179.6	49.8
Transportation	14.4	17.4	48.8	31.0
Other	18.3	16.3	63.2	54.3
Total revenue from contracts with customers	<u>168.2</u>	<u>195.3</u>	<u>555.8</u>	<u>531.2</u>
Other revenue	0.2	—	0.4	—
Total Construction segment revenue	<u>\$ 168.4</u>	<u>\$ 195.3</u>	<u>\$ 556.2</u>	<u>\$ 531.2</u>

Contract Assets and Contract Liabilities

Contract assets and contract liabilities consisted of the following (in millions):

	September 30, 2019	December 31, 2018
Contract assets	\$ 66.3	\$ 69.0
Contract liabilities	\$ (31.1)	\$ (62.0)

The change in contract assets is a result of the recording of \$40.8 million of costs in excess of billings driven by new commercial projects, offset by \$40.2 million of costs in excess of billings transferred to receivables from contract assets recognized at the beginning of the period. The change in contract liabilities is a result of periodic billing in excess of costs of \$29.8 million driven largely by new commercial projects, offset by revenue recognized that was included in the contract liability balance at the beginning of the period in the amount of \$60.5 million.

The transaction price allocated to remaining unsatisfied performance obligations consisted of the following (in millions):

	Within one year	Within five years	Total
Commercial	\$ 113.3	\$ 21.4	\$ 134.7
Convention	16.0	—	16.0
Healthcare	33.3	0.5	33.8
Industrial	127.0	12.1	139.1
Transportation	87.5	0.1	87.6
Other	41.6	—	41.6
Remaining unsatisfied performance obligations	<u>\$ 418.7</u>	<u>\$ 34.1</u>	<u>\$ 452.8</u>

DBMG includes an additional \$22.5 million in its backlog that is not included in the remaining unsatisfied performance obligations noted above. This backlog represents commitments under master service agreements that are estimated amounts of work to be performed based on customer communications, historic experience and knowledge of our customers' intentions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Marine Services Segment

The following table disaggregates GMSL's revenue by market (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Telecommunication - Maintenance	\$ 21.6	\$ 21.9	\$ 62.6	\$ 65.8
Telecommunication - Installation	12.8	5.5	28.2	29.3
Power - Operations, Maintenance & Construction Support	6.0	9.3	15.2	25.9
Power - Cable Installation & Repair	7.8	8.1	24.0	28.9
Total revenue from contracts with customers	48.2	44.8	130.0	149.9
Other revenue	—	—	—	—
Total Marine Services segment revenue	\$ 48.2	\$ 44.8	\$ 130.0	\$ 149.9

Contract assets and contract liabilities consisted of the following (in millions):

	September 30, 2019	December 31, 2018
Contract assets	\$ 12.1	\$ 5.2
Contract liabilities	\$ (14.9)	\$ (1.0)

The transaction price allocated to remaining unsatisfied performance obligations consisted of the following (in millions):

	Within one year	Within five years	Thereafter	Total
Telecommunication - Maintenance	\$ 18.5	\$ 217.1	\$ 60.0	\$ 295.6
Telecommunication - Installation	4.8	12.8	—	17.6
Power - Operations, Maintenance & Construction Support	3.1	18.0	—	21.1
Power - Cable Installation & Repair	15.3	49.1	—	64.4
Remaining unsatisfied performance obligations	\$ 41.7	\$ 297.0	\$ 60.0	\$ 398.7

Energy Segment

The following table disaggregates ANG's revenue by type (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Volume-related	\$ 8.5	\$ 4.2	\$ 18.5	\$ 12.3
Maintenance services	—	—	0.1	0.1
Total revenue from contracts with customers	8.5	4.2	18.6	12.4
RNG incentives	0.1	0.3	0.5	1.0
Alternative fuel tax credit	—	0.1	—	2.6
Other revenue	0.1	—	0.2	0.2
Total Energy segment revenue	\$ 8.7	\$ 4.6	\$ 19.3	\$ 16.2

Telecommunications Segment

ICS's revenues are predominantly derived from wholesale of international long distance minutes (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Termination of long distance minutes	\$ 162.2	\$ 187.8	\$ 507.0	\$ 580.6
Total revenue from contracts with customers	162.2	187.8	507.0	580.6
Other revenue	—	—	—	—
Total Telecommunications segment revenue	\$ 162.2	\$ 187.8	\$ 507.0	\$ 580.6

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Broadcasting Segment

The following table disaggregates the Broadcasting segment's revenue by type (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Network advertising	\$ 5.1	\$ 7.4	\$ 15.9	\$ 21.2
Broadcast station	3.1	2.5	8.7	8.0
Network distribution	1.1	1.7	3.8	3.5
Other	0.7	0.4	1.4	1.0
Total revenue from contracts with customers	10.0	12.0	29.8	33.7
Other revenue	—	—	—	—
Total Broadcasting segment revenue	\$ 10.0	\$ 12.0	\$ 29.8	\$ 33.7

The transaction price allocated to remaining unsatisfied performance obligations consisted of \$3.5 million, \$7.4 million, and \$2.5 million of network advertising, broadcasting station revenues, and other revenue respectively of which \$6.4 million is expected to be recognized within one year and \$7.0 million is expected to be recognized within five years.

4. Acquisitions, Dispositions, and Deconsolidations

Construction Segment

On November 30, 2018, DBMG consummated acquisition of GrayWolf Industrial ("GrayWolf"), a premier specialty maintenance, repair and installation services provider, pursuant to that certain Agreement and Plan of Merger, dated October 10, 2018, as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated November 29, 2018. The aggregate fair value of the cash consideration paid in connection with the acquisition of GrayWolf was \$139.8 million. The transaction was accounted for as business acquisition.

The preliminary allocation of the fair value of consideration transferred among the identified assets acquired, liabilities assumed, intangibles and residual goodwill are summarized as follows (in millions):

Other invested assets	\$ 0.9
Cash and cash equivalents	8.6
Accounts receivable	28.8
Property, plant and equipment	15.4
Goodwill	50.7
Intangibles	44.1
Other assets	18.9
Total assets acquired	167.4
Accounts payable and other current liabilities	(23.7)
Other liabilities	(3.9)
Total liabilities assumed	(27.6)
Total net assets acquired	\$ 139.8

The size and breadth of the GrayWolf acquisition necessitates use of the one year measurement period to adequately analyze all the factors used in establishing the asset and liability fair values as of the acquisition date, including, but not limited to deferred tax assets.

Goodwill was determined based on the residual differences between fair value of consideration transferred and the value assigned to tangible and intangible assets and liabilities. Among the factors that contributed to goodwill was approximately \$10.9 million assigned to the assembled and trained workforce. Goodwill is not amortized and is not deductible for tax purposes.

Acquisition costs incurred by DBMG in connection with the acquisition of GrayWolf were approximately \$4.2 million, which were included in selling, general and administrative expenses. The acquisition costs were primarily related to legal, accounting and valuation services.

Results of GrayWolf were included in our Consolidated Statements of Operations since the acquisition date. Pro forma results of operations have not been presented because they are not material to our consolidated results of operations.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Energy Segment

On June 14, 2019, ANG acquired ampCNG's 20 natural gas fueling stations, located primarily in the Southeastern U.S. and Texas, for cash consideration of \$41.2 million. ANG's network reach expanded to over 60 stations, making it one of the largest owners and operators of compressed natural gas stations in the country.

To finance the acquisition, ANG entered into a term loan with M&T bank for \$28.0 million and issued preferred stock and ten year warrants for common stock for \$14.0 million. The preferred stock bears a 14% coupon and is mandatorily redeemable in four years. The warrants are exercisable at \$0.001 per share of common stock and will represent 6% of ANG when exercised. ANG received \$5.0 million of proceeds from CGI. Consequently, related preferred stock and warrants are eliminated in consolidation. Preferred stock and warrants are recorded within Other liabilities.

Insurance Segment

On August 9, 2018, CGI completed the acquisition all of the outstanding shares of KMG America Corporation ("KMG"), the parent company of Kanawha Insurance Company ("KIC"), Humana Inc.'s ("Humana") long-term care insurance subsidiary for cash consideration of ten thousand dollars.

The decision to acquire was made as part of CGI's core strategy to acquire additional accretive LTC run-off businesses.

The allocation of the fair value of consideration transferred among the identified assets acquired, liabilities assumed and bargain purchase gain are summarized as follows (in millions):

Fixed maturity securities, available-for-sale at fair value	\$ 1,575.4
Equity securities	0.3
Mortgage loans	0.9
Policy loans	2.9
Cash and cash equivalents	806.6
Recoverable from reinsurers	902.5
Other assets	28.2
Total assets acquired	3,316.8
Life, accident and health reserves	(2,931.3)
Annuity reserves	(11.3)
Value of business acquired	(214.4)
Accounts payable and other current liabilities	(6.5)
Deferred tax liability	(25.3)
Other liabilities	(11.5)
Total liabilities assumed	(3,200.3)
Total net assets acquired	116.5
Total fair value of consideration	—
Gain on bargain purchase	\$ 116.5

Gain on bargain purchase

Gain on bargain purchase was driven by the Tax Cuts and Jobs Act, which was not stipulated in the negotiations for the transaction and resulted in a material decline in the Value of Business Acquired balance, corresponding deferred tax position and, ultimately, recognition of the bargain purchase gain, largely driven by the following attributes:

- The Unified Loss Rules tax attribute reduction to tax value of assets and the seller tax adjustments to tax value of liabilities contribute significantly to the bargain purchase price.
- The reduction in the federal income tax rate, from 35% at the time the seller contribution was established to 21% effective January 1, 2018, effectively generates the remaining balance for the bargain purchase price.
- Changes in fair value of acquired assets and assumed liabilities between the date the deal was signed and the closing date was driven by the time it took to obtain regulatory approvals, amongst other closing conditions.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Reinsurance Recoverable

The reinsurance recoverable balance represents amounts recoverable from third parties. U.S. GAAP requires insurance reserves and reinsurance recoverable balances to be presented on a gross basis, as opposed to U.S. statutory accounting principles, where reserves are presented net of reinsurance. Accordingly, the Company grossed up the fair value of the net insurance contract liability for the amount of reinsurance of approximately \$902.5 million, to arrive at a gross insurance liability, and recognized an offsetting reinsurance recoverable amount of approximately \$902.5 million. As part of this process, management considered reinsurance counterparty credit risk and considers it to have an immaterial impact on the reinsurance fair value gross-up. To mitigate this risk substantially all reinsurance is ceded to companies with investment grade S&P ratings.

Amounts recoverable from reinsurers were estimated in a manner consistent with the liability associated with the reinsured policies and were an estimate of the reinsurance recoverable on paid and unpaid losses, including an estimate for losses incurred but not reported. Reinsurance recoverable represent expected cash inflows from reinsurers for liabilities ceded and therefore incorporate uncertainties as to the timing and amount of claim payments. Reinsurance recoverable includes the balances due from reinsurers under the terms of the reinsurance agreements for these ceded balances as well as settlement amounts currently due.

The Value of Business Acquired

VOBA reflects the estimated fair value of in-force contracts in a life insurance company acquisition less the amount recorded as insurance contract liabilities. It represents the portion of the purchase price that is allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. A VOBA liability (negative asset) occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities. HC2 calculated VOBA by adjusting the purchase price, which was derived on a statutory accounting basis, for differences between statutory and U.S. GAAP accounting requirements. Amortization is based on assumptions consistent with those used in the development of the underlying contract adjusted for emerging experience and expected trends.

Life, accident and health reserves

HC2 estimated the fair value of reserves on a fair value basis, using actuarial assumptions consistent with those used for the buyer's valuation of the acquired business, and discount rates reflecting capital market conditions. The reserve accounts for the present value of all future cash flows, net of reinsurance, of the acquired block of insurance, including premium, benefit payments, and expenses. HC2 estimated the fair value of recoverable from reinsurers using the same assumptions as those for reserves of the net retained business, but applied to business ceded through various, existing reinsurance agreements.

Life Sciences Segment

On June 8, 2018, Pansend closed on the sale of its approximately 75.9% ownership in BeneVir to Janssen Biotech, Inc. ("Janssen"). In conjunction with the closing of the transaction, Janssen made an upfront cash payment of \$140.0 million. Pansend received a cash payment of \$93.4 million and received an additional cash payment of \$13.3 million on September 16, 2019, which was previously held in an escrow, for a total consideration of \$106.7 million. Pansend recorded a gain on the sale of \$102.1 million, of which \$21.7 million was allocated to noncontrolling interests. HC2 received a cash payment of \$72.8 million and an additional cash payment of \$9.8 million from the release of the escrow.

Under the terms of the merger agreement, Pansend is eligible to receive payments of up to \$189.7 million upon the achievement of specified development milestones and up to \$493.1 million upon the achievement of specified levels of annual net sales of licensed products. From these potential milestone payments, HC2 is eligible to receive up to \$512.2 million.

Broadcasting Segment

During the nine months ended September 30, 2019 and the year ended December 31, 2018, HC2 Broadcasting acquired a series of licenses for a total cash consideration of \$16.1 million and \$71.4 million, respectively. All transactions were accounted for as asset acquisitions.

Other Segment

On August 14, 2018, 704Games issued a 53.5% equity interest to international media and technology company Motorsport Network. As a result, HC2's ownership percentage in 704Games was diluted to 26.2% resulting in the loss of control and deconsolidation of the entity.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Pro Forma Adjusted Summary

The following schedule presents unaudited consolidated pro forma results of operations data as if the acquisition of KMG had occurred on January 1, 2018. 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 millions):

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Net revenue	\$ 509.2	\$ 1,581.5
Net income (loss) from operations	\$ (43.2)	\$ 9.2
Net income (loss) attributable to HC2 Holdings, Inc.	\$ 139.8	\$ 215.4

5. Investments

Fixed Maturity Securities

The following tables provide information relating to investments in fixed maturity securities (in millions):

<u>September 30, 2019</u>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and government agencies	\$ 6.4	\$ 0.8	\$ —	\$ 7.2
States, municipalities and political subdivisions	404.8	43.1	—	447.9
Residential mortgage-backed securities	71.2	5.0	(0.8)	75.4
Commercial mortgage-backed securities	99.8	4.0	—	103.8
Asset-backed securities	545.7	1.8	(18.9)	528.6
Corporate and other	2,566.1	277.6	(31.1)	2,812.6
Total fixed maturity securities	<u>\$ 3,694.0</u>	<u>\$ 332.3</u>	<u>\$ (50.8)</u>	<u>\$ 3,975.5</u>

<u>December 31, 2018</u>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and government agencies	\$ 24.7	\$ 0.7	\$ —	\$ 25.4
States, municipalities and political subdivisions	413.7	9.6	(1.4)	421.9
Residential mortgage-backed securities	92.6	3.1	(1.3)	94.4
Commercial mortgage-backed securities	94.7	0.3	(1.1)	93.9
Asset-backed securities	540.8	0.8	(30.1)	511.5
Corporate and other	2,311.0	17.0	(83.5)	2,244.5
Total fixed maturity securities	<u>\$ 3,477.5</u>	<u>\$ 31.5</u>	<u>\$ (117.4)</u>	<u>\$ 3,391.6</u>

The amortized cost and fair value of fixed maturity securities available-for-sale as of September 30, 2019 are shown by contractual maturity in the table below (in millions). Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset and mortgage-backed securities are shown separately in the table below, as they are not due at a single maturity date:

	Amortized Cost	Fair Value
Corporate, Municipal, U.S. Government and Other securities		
Due in one year or less	\$ 31.2	\$ 32.0
Due after one year through five years	252.5	259.6
Due after five years through ten years	355.1	375.5
Due after ten years	2,338.5	2,600.6
Subtotal	<u>2,977.3</u>	<u>3,267.7</u>
Mortgage-backed securities	171.0	179.2
Asset-backed securities	545.7	528.6
Total	<u>\$ 3,694.0</u>	<u>\$ 3,975.5</u>

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The tables below show the major industry types of the Company's corporate and other fixed maturity securities (in millions):

	September 30, 2019			December 31, 2018		
	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
Finance, insurance, and real estate	\$ 572.5	\$ 607.4	21.6%	\$ 469.0	\$ 452.9	20.2%
Transportation, communication and other services	836.6	899.3	32.0%	758.6	734.0	32.7%
Manufacturing	730.4	829.9	29.5%	712.7	693.5	30.9%
Other	426.6	476.0	16.9%	370.7	364.1	16.2%
Total	\$ 2,566.1	\$ 2,812.6	100.0%	\$ 2,311.0	\$ 2,244.5	100.0%

A portion of certain other-than-temporary impairment ("OTTI") losses on fixed maturity securities is recognized in Accumulated Other Comprehensive Income ("AOCI"). For these securities the net amount represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in AOCI. The Company recorded the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net realized and unrealized gains (losses) on investments	\$ —	\$ 0.6	\$ —	\$ 0.6
Total Other-Than-Temporary Impairments	\$ —	\$ 0.6	\$ —	\$ 0.6

The following table presents the total unrealized losses for the 147 and 749 fixed maturity securities held by the Company as of September 30, 2019 and December 31, 2018, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in millions):

	September 30, 2019		December 31, 2018	
	Unrealized Losses	% of Total	Unrealized Losses	% of Total
Less than 20%	\$ (49.9)	98.2%	\$ (116.0)	98.8%
20% or more for less than six months	(0.1)	0.2%	(0.8)	0.7%
20% or more for six months or greater	(0.8)	1.6%	(0.6)	0.5%
Total	\$ (50.8)	100.0%	\$ (117.4)	100.0%

The determination of whether unrealized losses are "other-than-temporary" requires judgment based on subjective as well as objective factors. Factors considered and resources used by management include (i) whether the unrealized loss is credit-driven or a result of changes in market interest rates, (ii) the extent to which fair value is less than cost basis, (iii) cash flow projections received from independent sources, (iv) historical operating, balance sheet and cash flow data contained in issuer SEC filings and news releases, (v) near-term prospects for improvement in the issuer and/or its industry, (vi) third party research and communications with industry specialists, (vii) financial models and forecasts, (viii) the continuity of dividend payments, maintenance of investment grade ratings and hybrid nature of certain investments, (ix) discussions with issuer management, and (x) ability and intent to hold the investment for a period of time sufficient to allow for anticipated recovery in fair value.

The Company analyzes its mortgage-backed securities ("MBS") for OTTI each quarter based upon expected future cash flows. Management estimates expected future cash flows based upon its knowledge of the MBS market, cash flow projections (which reflect loan-to-collateral values, subordination, vintage and geographic concentration) received from independent sources, implied cash flows inherent in security ratings and analysis of historical payment data.

The Company believes it will recover its cost basis in the non-impaired securities with unrealized losses and that the Company has the ability to hold the securities until they recover in value. The Company neither intends to sell nor does it expect to be required to sell the securities with unrealized losses as of September 30, 2019. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity and equity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines.

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The following tables present the estimated fair values and gross unrealized losses for the 147 and 749 fixed maturity securities held by the Company that have estimated fair values below amortized cost as of each of September 30, 2019 and December 31, 2018, respectively. The Company does not have any OTTI losses reported in AOCI. These investments are presented by investment category and the length of time the related fair value has remained below amortized cost (in millions):

<u>September 30, 2019</u>	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Residential mortgage-backed securities	3.7	(0.3)	10.5	(0.5)	14.2	(0.8)
Commercial mortgage-backed securities	1.9	—	0.3	—	2.2	—
Asset-backed securities	290.9	(9.2)	119.2	(9.7)	410.1	(18.9)
Corporate and other	236.6	(11.5)	138.3	(19.6)	374.9	(31.1)
Total fixed maturity securities	\$ 533.1	\$ (21.0)	\$ 268.3	\$ (29.8)	\$ 801.4	\$ (50.8)

<u>December 31, 2018</u>	Less than 12 months		12 months of greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and government agencies	\$ 5.0	\$ —	\$ 3.3	\$ —	\$ 8.3	\$ —
States, municipalities and political subdivisions	117.2	(1.3)	1.9	(0.1)	119.1	(1.4)
Residential mortgage-backed securities	22.4	(1.2)	5.7	(0.1)	28.1	(1.3)
Commercial mortgage-backed securities	57.8	(1.1)	—	—	57.8	(1.1)
Asset-backed securities	466.0	(29.6)	5.9	(0.5)	471.9	(30.1)
Corporate and other	1,418.2	(71.9)	254.6	(11.6)	1,672.8	(83.5)
Total fixed maturity securities	\$ 2,086.6	\$ (105.1)	\$ 271.4	\$ (12.3)	\$ 2,358.0	\$ (117.4)

As of September 30, 2019, investment grade fixed maturity securities (as determined by nationally recognized rating agencies) represented approximately 77.1% of the gross unrealized loss and 87.6% of the fair value. As of December 31, 2018, investment grade fixed maturity securities represented approximately 87.9% of the gross unrealized loss and 93.1% of the fair value. Certain risks are inherent in connection with fixed maturity securities, including loss upon default, price volatility in reaction to changes in interest rates, and general market factors and risks associated with reinvestment of proceeds due to prepayments or redemptions in a period of declining interest rates.

Equity Securities

The following tables provide information relating to investments in equity securities measured at fair value (in millions):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Common stocks	\$ 17.4	\$ 15.0
Perpetual preferred stocks	86.9	185.5
Total equity securities	\$ 104.3	\$ 200.5

Other Invested Assets

Carrying values of other invested assets were as follows (in millions):

	<u>September 30, 2019</u>		<u>December 31, 2018</u>	
	Measurement Alternative	Equity Method	Measurement Alternative	Equity Method
Common Equity	\$ —	\$ 2.3	\$ —	\$ 2.1
Preferred Equity	—	16.9	1.6	9.6
Other	—	65.2	—	59.2
Total	\$ —	\$ 84.4	\$ 1.6	\$ 70.9

HC2 HOLDINGS, INC.
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Net Investment Income

The major sources of net investment income were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Fixed maturity securities, available-for-sale at fair value	\$ 45.2	\$ 26.7	\$ 132.5	\$ 58.6
Equity securities	1.9	1.5	6.5	2.7
Mortgage loans	3.4	2.0	10.2	4.8
Policy loans	0.3	0.3	0.9	0.9
Other invested assets	0.8	1.4	3.4	2.0
Gross investment income	51.6	31.9	153.5	69.0
External investment expense	(0.4)	(0.2)	(0.9)	(0.2)
Net investment income	\$ 51.2	\$ 31.7	\$ 152.6	\$ 68.8

Net Realized and Unrealized Gains (Losses) on Investments

The major sources of net realized and unrealized gains and losses on investments were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Realized gains on fixed maturity securities	\$ 1.4	\$ 1.0	\$ 6.4	\$ 4.7
Realized losses on fixed maturity securities	(2.9)	(0.1)	(8.0)	(1.4)
Realized gains on equity securities	1.4	0.4	1.8	0.3
Realized losses on equity securities	(0.1)	—	(1.2)	—
Realized gains on mortgage loans	1.0	—	1.0	—
Net unrealized gains (losses) on equity securities	(1.6)	(1.0)	4.2	(1.1)
Net unrealized gains (losses) on derivative instruments	(1.1)	(0.2)	(2.1)	0.5
Impairment loss	—	(0.6)	—	(0.6)
Net realized and unrealized gains (losses)	\$ (1.9)	\$ (0.5)	\$ 2.1	\$ 2.4

6. Fair Value of Financial Instruments

Assets by Hierarchy Level

Assets and liabilities measured at fair value on a recurring basis are summarized below (in millions):

September 30, 2019

	Total	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	\$ 7.2	\$ 4.2	\$ 3.0	\$ —
States, municipalities and political subdivisions	447.9	—	447.9	—
Residential mortgage-backed securities	75.4	—	67.2	8.2
Commercial mortgage-backed securities	103.8	—	43.3	60.5
Asset-backed securities	528.6	—	209.7	318.9
Corporate and other	2,812.6	38.8	2,666.9	106.9
Total fixed maturity securities	3,975.5	43.0	3,438.0	494.5
Equity securities				
Common stocks	17.4	13.1	—	4.3
Perpetual preferred stocks	86.9	7.9	26.2	52.8
Total equity securities	104.3	21.0	26.2	57.1
Total assets accounted for at fair value	\$ 4,079.8	\$ 64.0	\$ 3,464.2	\$ 551.6
Liabilities				
Embedded derivative	\$ 4.5	\$ —	\$ —	\$ 4.5
Other	5.4	—	—	5.4
Total liabilities accounted for at fair value	\$ 9.9	\$ —	\$ —	\$ 9.9

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

December 31, 2018

	Total	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	\$ 25.4	\$ 6.1	\$ 19.3	\$ —
States, municipalities and political subdivisions	421.9	—	421.9	—
Residential mortgage-backed securities	94.4	—	75.4	19.0
Commercial mortgage-backed securities	93.9	—	35.7	58.2
Asset-backed securities	511.5	—	33.3	478.2
Corporate and other	2,244.5	6.6	2,152.9	85.0
Total fixed maturity securities	3,391.6	12.7	2,738.5	640.4
Equity securities				
Common stocks	15.0	9.1	—	5.9
Perpetual preferred stocks	185.5	7.2	123.0	55.3
Total equity securities	200.5	16.3	123.0	61.2
Total assets accounted for at fair value	\$ 3,592.1	\$ 29.0	\$ 2,861.5	\$ 701.6
Liabilities				
Embedded derivative	\$ 8.4	\$ —	\$ —	\$ 8.4
Other	3.5	—	—	3.5
Total liabilities accounted for at fair value	\$ 11.9	\$ —	\$ —	\$ 11.9

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. Availability of secondary market activity and consistency of pricing from third-party sources impacts the Company's ability to classify securities as Level 2 or Level 3.

The Company's assessment resulted in a net transfer out of Level 3 of \$41.6 million primarily related to corporate securities during the nine months ended September 30, 2019. The Company's assessment resulted in a net transfer into Level 3 of \$31.2 million primarily related to corporate securities during the nine months ended September 30, 2018.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below:

Fixed Maturity Securities. The fair values of the Company's publicly-traded fixed maturity securities are generally based on prices obtained from independent pricing services. Prices from pricing services are sourced from multiple vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. In some cases, the Company receives prices from multiple pricing services for each security, but ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. Consistent with the fair value hierarchy described above, securities with validated quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs.

If the Company ultimately concludes that pricing information received from the independent pricing service is not reflective of market activity, non-binding broker quotes are used, if available. If the Company concludes the values from both pricing services and brokers are not reflective of market activity, it may override the information from the pricing service or broker with an internally developed valuation, however, this occurs infrequently. Internally developed valuations or non-binding broker quotes are also used to determine fair value in circumstances where vendor pricing is not available. These estimates may use significant unobservable inputs, which reflect the Company's assumptions about the inputs that market participants would use in pricing the asset. Pricing service overrides, internally developed valuations and non-binding broker quotes are generally based on significant unobservable inputs and are reflected as Level 3 in the valuation hierarchy.

The inputs used in the valuation of corporate and government securities include, but are not limited to, standard market observable inputs which are derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer.

For structured securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance and vintage of loans.

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When observable inputs are not available, the market standard valuation techniques for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value but that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs are sometimes based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are believed to be consistent with what other market participants would use when pricing such securities.

The fair values of private placement securities are primarily determined using a discounted cash flow model. In certain cases, these models primarily use observable inputs with a discount rate based upon the average of spread surveys collected from private market intermediaries who are active in both primary and secondary transactions, taking into account, among other factors, the credit quality and industry sector of the issuer and the reduced liquidity associated with private placements. Generally, these securities have been reflected within Level 3. For certain private fixed maturities, the discounted cash flow model may also incorporate significant unobservable inputs, which reflect the Company's own assumptions about the inputs market participants would use in pricing the security. To the extent management determines that such unobservable inputs are not significant to the price of a security, a Level 2 classification is made. Otherwise, a Level 3 classification is used.

Equity Securities. The balance consists principally of common and preferred stock of publicly and privately traded companies. The fair values of publicly traded equity securities are primarily based on quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. The fair values of preferred equity securities, for which quoted market prices are not readily available, are based on prices obtained from independent pricing services and these securities are generally classified within Level 2 in the fair value hierarchy. The fair value of common stock of privately held companies was determined using unobservable market inputs, including volatility and underlying security values and was classified as Level 3.

Cash Equivalents. The balance consists of money market instruments, which are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. Various time deposits carried as cash equivalents are not measured at estimated fair value and, therefore, are excluded from the tables presented.

Level 3 Measurements and Transfers

The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for the three and nine months ended September 30, 2019 and 2018 (in millions):

	Total realized/unrealized gains (losses) included in							Balance at September 30, 2019
	Balance at June 30, 2019	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	
Assets								
Fixed maturity securities								
States, municipalities and political subdivisions	\$ 3.7	\$ —	\$ 0.1	\$ —	\$ —	\$ —	\$ (3.8)	\$ —
Residential mortgage-backed securities	12.5	—	(0.1)	—	(0.7)	—	(3.5)	8.2
Commercial mortgage-backed securities	66.4	0.2	1.3	—	(7.4)	—	—	60.5
Asset-backed securities	412.6	(0.5)	(6.3)	13.6	(38.3)	14.2	(76.4)	318.9
Corporate and other	158.1	(0.4)	2.2	3.1	(10.3)	—	(45.8)	106.9
Total fixed maturity securities	653.3	(0.7)	(2.8)	16.7	(56.7)	14.2	(129.5)	494.5
Equity securities								
Common stocks	4.9	(0.5)	0.1	—	(0.2)	—	—	4.3
Perpetual preferred stocks	57.1	(0.2)	(1.5)	—	(2.6)	—	—	52.8
Total equity securities	62.0	(0.7)	(1.4)	—	(2.8)	—	—	57.1
Total financial assets	\$ 715.3	\$ (1.4)	\$ (4.2)	\$ 16.7	\$ (59.5)	\$ 14.2	\$ (129.5)	\$ 551.6

	Total realized/unrealized (gains) losses included in							Balance at September 30, 2019
	Balance at June 30, 2019	Net (earnings) loss	Other comp. (income) loss	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	
Liabilities								
Embedded derivative	\$ 2.9	\$ 1.6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4.5
Other	5.4	—	—	—	—	—	—	5.4
Total financial liabilities	\$ 8.3	\$ 1.6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9.9

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	Balance at December 31, 2018	Total realized/unrealized gains (losses) included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2019
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Assets									
Fixed maturity securities									
States, municipalities and political subdivisions	\$ —	\$ —	\$ 0.1	\$ —	\$ (0.5)	\$ 4.2	\$ (3.8)	\$ —	
Residential mortgage-backed securities	19.0	—	0.2	—	(1.5)	—	(9.5)	8.2	
Commercial mortgage-backed securities	58.2	0.2	3.4	7.5	(7.9)	—	(0.9)	60.5	
Asset-backed securities	478.2	(2.1)	11.7	102.1	(214.4)	19.8	(76.4)	318.9	
Corporate and other	85.0	(0.5)	4.5	23.5	(27.8)	105.0	(82.8)	106.9	
Total fixed maturity securities	640.4	(2.4)	19.9	133.1	(252.1)	129.0	(173.4)	494.5	
Equity securities									
Common stocks	5.9	(0.3)	0.1	—	(1.2)	—	(0.2)	4.3	
Perpetual preferred stocks	55.3	(3.9)	(1.5)	2.5	(2.6)	3.0	—	52.8	
Total equity securities	61.2	(4.2)	(1.4)	2.5	(3.8)	3.0	(0.2)	57.1	
Total financial assets	\$ 701.6	\$ (6.6)	\$ 18.5	\$ 135.6	\$ (255.9)	\$ 132.0	\$ (173.6)	\$ 551.6	

	Balance at December 31, 2018	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2019
		Net (earnings) loss	Other comp. (income) loss	Purchases and issuances	Sales and settlements				
Liabilities									
Embedded derivative	\$ 8.4	\$ (3.9)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4.5	
Other	3.5	(1.1)	—	3.0	—	—	—	5.4	
Total financial liabilities	\$ 11.9	\$ (5.0)	\$ —	\$ 3.0	\$ —	\$ —	\$ —	\$ 9.9	

	Balance at June 30, 2018	Total realized/unrealized gains (losses) included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2018
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Assets									
Fixed maturity securities									
U.S. Government and government agencies	\$ —	\$ —	\$ —	\$ 2.3	\$ —	\$ —	\$ —	\$ 2.3	
States, municipalities and political subdivisions	0.4	—	—	—	—	—	—	0.4	
Residential mortgage-backed securities	12.3	—	(0.4)	33.7	(1.3)	2.6	—	46.9	
Commercial mortgage-backed securities	22.1	—	—	2.0	(0.1)	1.8	—	25.8	
Asset-backed securities	132.8	—	(0.8)	116.9	(9.3)	—	—	239.6	
Corporate and other	67.2	0.2	(0.7)	65.0	(9.8)	9.1	—	131.0	
Total fixed maturity securities	234.8	0.2	(1.9)	219.9	(20.5)	13.5	—	446.0	
Equity securities									
Common stocks	0.5	1.8	—	0.1	—	4.4	—	6.8	
Perpetual preferred stocks	24.4	(0.4)	—	32.0	—	1.0	—	57.0	
Total equity securities	24.9	1.4	—	32.1	—	5.4	—	63.8	
Derivatives	0.2	—	—	—	—	—	—	0.2	
Total financial assets	\$ 259.9	\$ 1.6	\$ (1.9)	\$ 252.0	\$ (20.5)	\$ 18.9	\$ —	\$ 510.0	

	Balance at June 30, 2018	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2018
		Net (earnings) loss	Other comp. (income) loss	Purchases and issuances	Sales and settlements				
Liabilities									
Other	\$ 4.2	\$ (0.3)	\$ —	\$ 2.6	\$ —	\$ —	\$ —	\$ 6.5	
Total financial liabilities	\$ 4.2	\$ (0.3)	\$ —	\$ 2.6	\$ —	\$ —	\$ —	\$ 6.5	

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	Balance at December 31, 2017	Total realized/unrealized gains (losses) included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2018
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Assets									
Fixed maturity securities									
U.S. Government and government agencies	\$ —	\$ —	\$ —	\$ 2.3	\$ —	\$ —	\$ —	\$ 2.3	
States, municipalities and political subdivisions	6.0	—	(0.1)	0.1	—	0.4	(6.0)	0.4	
Residential mortgage-backed securities	14.6	0.3	0.2	33.7	(6.7)	8.1	(3.3)	46.9	
Commercial mortgage-backed securities	12.2	(0.1)	(0.2)	12.3	(0.1)	1.7	—	25.8	
Asset-backed securities	133.7	1.1	(4.0)	184.9	(73.2)	—	(2.9)	239.6	
Corporate and other	26.3	0.2	(1.7)	94.0	(12.7)	24.9	—	131.0	
Total fixed maturity securities	192.8	1.5	(5.8)	327.3	(92.7)	35.1	(12.2)	446.0	
Equity securities									
Common stocks	0.2	1.7	—	0.1	—	4.8	—	6.8	
Perpetual preferred stocks	6.4	0.1	—	47.0	—	3.5	—	57.0	
Total equity securities	6.6	1.8	—	47.1	—	8.3	—	63.8	
Derivatives									
	0.2	—	—	—	—	—	—	0.2	
Total financial assets	\$ 199.6	\$ 3.3	\$ (5.8)	\$ 374.4	\$ (92.7)	\$ 43.4	\$ (12.2)	\$ 510.0	

	Balance at December 31, 2017	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at September 30, 2018
		Net (earnings) loss	Other comp. (income) loss	Purchases and issuances	Sales and settlements				
Liabilities									
Other	\$ 4.8	\$ (0.9)	\$ —	\$ 2.6	\$ —	\$ —	\$ —	\$ 6.5	
Total financial liabilities	\$ 4.8	\$ (0.9)	\$ —	\$ 2.6	\$ —	\$ —	\$ —	\$ 6.5	

Internally developed fair values of Level 3 assets represent less than 1% of the Company's total assets. Any justifiable changes in unobservable inputs used to determine internally developed fair values would not have a material impact on the Company's financial position.

Fair Value of Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis. The table excludes carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, and other assets and liabilities approximate fair value due to relatively short periods to maturity (in millions):

September 30, 2019	Carrying Value	Estimated Fair Value	Fair Value Measurement Using:		
			Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 165.7	\$ 165.7	\$ —	\$ —	\$ 165.7
Policy loans	19.1	19.1	—	19.1	—
Total assets not accounted for at fair value	\$ 184.8	\$ 184.8	\$ —	\$ 19.1	\$ 165.7
Liabilities					
Annuity benefits accumulated ⁽¹⁾	\$ 235.5	\$ 232.9	\$ —	\$ —	\$ 232.9
Debt obligations ⁽²⁾	784.1	754.2	—	754.2	—
Total liabilities not accounted for at fair value	\$ 1,019.6	\$ 987.1	\$ —	\$ 754.2	\$ 232.9

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

December 31, 2018

	Carrying Value	Estimated Fair Value	Fair Value Measurement Using:		
			Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 137.6	\$ 137.6	\$ —	\$ —	\$ 137.6
Policy loans	19.8	19.8	—	19.8	—
Other invested assets	1.6	1.6	—	—	1.6
Total assets not accounted for at fair value	\$ 159.0	\$ 159.0	\$ —	\$ 19.8	\$ 139.2
Liabilities					
Annuity benefits accumulated ⁽¹⁾	\$ 244.0	\$ 241.7	\$ —	\$ —	\$ 241.7
Debt obligations ⁽²⁾	702.5	703.0	—	703.0	—
Total liabilities not accounted for at fair value	\$ 946.5	\$ 944.7	\$ —	\$ 703.0	\$ 241.7

⁽¹⁾ Excludes life contingent annuities in the payout phase.

⁽²⁾ Excludes certain lease obligations accounted for under ASC 842 Leases.

Mortgage Loans on Real Estate. The fair value of mortgage loans on real estate is estimated by discounting cash flows, both principal and interest, using current interest rates for mortgage loans with similar credit ratings and similar remaining maturities. As such, inputs include current treasury yields and spreads, which are based on the credit rating and average life of the loan, corresponding to the market spreads. The valuation of mortgage loans on real estate is considered Level 3 in the fair value hierarchy.

Annuity Benefits Accumulated. The fair value of annuity benefits was determined using the surrender values of the annuities and classified as Level 3.

Long-term Obligations. The fair value of the Company's long-term obligations was determined using Bloomberg Valuation Service BVAL. The methodology combines direct market observations from contributed sources with quantitative pricing models to generate evaluated prices and classified as Level 2.

7. Accounts Receivable, net

Accounts receivable, net consist of the following (in millions):

	September 30, 2019	December 31, 2018
Contracts in progress	\$ 150.5	\$ 188.2
Trade receivables	69.3	127.5
Unbilled retentions	55.7	65.6
Other receivables	19.7	4.2
Allowance for doubtful accounts	(1.9)	(6.3)
Total accounts receivable, net	\$ 293.3	\$ 379.2

8. Recoverable from Reinsurers

Recoverable from reinsurers consists of the following (in millions):

Reinsurer	A.M. Best Rating	September 30, 2019		December 31, 2018	
		Amount	% of Total	Amount	% of Total
Munich American Reassurance Company	A+	\$ 343.6	36.3%	\$ 335.0	33.5%
Hannover Life Reassurance Company of America	A+	324.6	34.2%	336.9	33.7%
Loyal American Life Insurance Company	A	145.9	15.4%	146.0	14.6%
Great American Life Insurance Company	A	56.1	5.9%	54.5	5.4%
ManhattanLife Assurance Company of America	B+	43.9	4.6%	89.5	8.9%
Other		33.8	3.6%	38.3	3.9%
Total		\$ 947.9	100.0%	\$ 1,000.2	100.0%

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

9. Property, Plant and Equipment, net

Property, plant and equipment consists of the following (in millions):

	September 30, 2019	December 31, 2018
Cable-ships and submersibles	\$ 242.2	\$ 251.1
Equipment, furniture and fixtures, and software	209.6	148.0
Building and leasehold improvements	48.5	47.3
Land	36.8	32.8
Construction in progress	9.7	12.9
Plant and transportation equipment	13.5	12.0
	<u>560.3</u>	<u>504.1</u>
Less: Accumulated depreciation	154.5	127.8
Total	<u>\$ 405.8</u>	<u>\$ 376.3</u>

Depreciation expense was \$13.5 million and \$11.9 million for the three months ended September 30, 2019 and 2018, respectively. These amounts included \$2.3 million and \$1.8 million of depreciation expense within cost of revenue for the three months ended September 30, 2019 and 2018, respectively.

Depreciation expense was \$38.8 million and \$34.2 million for the nine months ended September 30, 2019 and 2018, respectively. These amounts included \$6.7 million and \$5.1 million of depreciation expense within cost of revenue for the nine months ended September 30, 2019 and 2018, respectively.

Total net book value of equipment, cable-ships, and submersibles under capital leases consisted of \$37.0 million and \$40.0 million as of September 30, 2019 and December 31, 2018, respectively.

10. Goodwill and Intangibles, net

Goodwill

The carrying amount of goodwill by segment were as follows (in millions):

	Construction	Marine Services	Energy	Telecom	Insurance	Broadcasting	Total
Balance at December 31, 2018	\$ 82.2	\$ 14.3	\$ 2.1	\$ 4.4	\$ 47.3	\$ 21.4	\$ 171.7
Measurement period adjustment	7.1	—	—	—	—	—	7.1
Impairments	—	—	—	(1.3)	—	—	(1.3)
Effect of translation	(0.4)	—	—	—	—	—	(0.4)
Balance at September 30, 2019	<u>\$ 88.9</u>	<u>\$ 14.3</u>	<u>\$ 2.1</u>	<u>\$ 3.1</u>	<u>\$ 47.3</u>	<u>\$ 21.4</u>	<u>\$ 177.1</u>

Indefinite-lived Intangible Assets

Balances of indefinite-lived intangible assets as of September 30, 2019 and December 31, 2018 were as follows (in millions):

	September 30, 2019	December 31, 2018
FCC licenses	\$ 131.4	\$ 120.6
State licenses	2.5	2.5
Total	<u>\$ 133.9</u>	<u>\$ 123.1</u>

In 2019, FCC licenses increased \$10.8 million, \$12.9 million of which was through acquisitions, offset by \$2.1 million of impairments.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Definite Lived Intangible Assets

The gross carrying amount and accumulated amortization of amortizable intangible assets by major intangible asset class is as follows (in millions):

	Weighted-Average Original Useful Life	September 30, 2019			December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	10 Years	\$ 53.5	\$ (13.6)	\$ 39.9	\$ 53.6	\$ (7.2)	\$ 46.4
Channel sharing arrangements	40 Years	28.3	(0.7)	27.6	25.2	—	25.2
Trade names	13 Years	26.0	(7.5)	18.5	25.9	(5.9)	20.0
Developed technology	5 Years	1.2	(1.2)	—	1.2	(1.2)	—
Other	6 Years	5.5	(1.7)	3.8	5.5	(1.0)	4.5
Total		\$ 114.5	\$ (24.7)	\$ 89.8	\$ 111.4	\$ (15.3)	\$ 96.1

Amortization expense for definite lived intangible assets for the three months ended September 30, 2019 and 2018 was \$3.1 million and \$1.1 million, respectively, and was included in Depreciation and amortization in the Condensed Consolidated Statements of Operations.

Amortization expense for definite lived intangible assets for the nine months ended September 30, 2019 and 2018 was \$9.4 million and \$3.2 million, respectively, and was included in Depreciation and amortization in the Condensed Consolidated Statements of Operations.

Excluding the impact of any future acquisitions, dispositions or changes in foreign currency, the Company estimates the annual amortization expense of amortizable intangible assets for the next five fiscal years will be as follows (in millions):

Fiscal Year	Estimated Amortization Expense
2020	\$ 8.3
2021	\$ 8.1
2022	\$ 7.9
2023	\$ 7.8
2024	\$ 7.3

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. Life, Accident and Health Reserves

Life, accident and health reserves consist of the following (in millions):

	September 30, 2019	December 31, 2018
Long-term care insurance reserves	\$ 4,175.5	\$ 4,142.5
Traditional life insurance reserves	175.0	196.8
Other accident and health insurance reserves	193.0	222.8
Total life, accident and health reserves	<u>\$ 4,543.5</u>	<u>\$ 4,562.1</u>

The following table sets forth changes in the liability for claims for the portion of our long-term care insurance reserves (in millions):

	Nine Months Ended September 30,	
	2019	2018
Beginning balance	\$ 738.5	\$ 243.5
Less: recoverable from reinsurers	(136.4)	(100.6)
Beginning balance, net	<u>602.1</u>	<u>142.9</u>
Incurred related to insured events of:		
Current year	159.2	54.5
Prior years	(46.9)	6.0
Total incurred	<u>112.3</u>	<u>60.5</u>
Paid related to insured events of:		
Current year	(8.4)	(3.9)
Prior years	(106.9)	(36.9)
Total paid	<u>(115.3)</u>	<u>(40.8)</u>
Interest on liability for policy and contract claims	16.2	4.1
Reserve for business acquired during the current period	—	341.2
Ending balance, net	615.3	507.9
Add: recoverable from reinsurers	129.6	159.1
Ending balance	<u>\$ 744.9</u>	<u>\$ 667.0</u>

The Insurance segment experienced a favorable claims reserve development of \$46.9 million and an unfavorable claims reserve development of \$6.0 million for the nine months ended September 30, 2019 and 2018, respectively. The reserve sufficiency is being driven by claim terminations and estimates for remaining benefits to be paid. Current experience has been favorable relative to the nine months ended September 30, 2018. This favorable development is attributable to the result of normal volatility in claims activity during the period and is expected to persist throughout the remainder of 2019.

12. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of the following (in millions):

	September 30, 2019	December 31, 2018
Accounts payable	\$ 129.3	\$ 104.7
Accrued expenses and other current liabilities	84.2	83.4
Accrued interconnection costs	49.4	103.0
Accrued payroll and employee benefits	40.8	44.2
Accrued interest	24.3	8.8
Accrued income taxes	1.1	0.8
Total accounts payable and other current liabilities	<u>\$ 329.1</u>	<u>\$ 344.9</u>

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

13. Debt Obligations

Debt obligations consist of the following (in millions):

	September 30, 2019	December 31, 2018
Construction		
LIBOR plus 5.85% Note, due 2023	\$ 78.0	\$ 80.0
LIBOR plus 1.50% Line of Credit	39.9	34.0
Other	0.3	—
Marine Services		
Obligations under capital leases	34.4	40.4
7.49% Note, due 2020	20.9	14.0
Notes payable and revolving lines of credit, various maturity dates	10.5	12.9
Energy		
LIBOR plus 3.00% Term Loan, due 2023	27.4	—
5.00% Term Loan, due 2022	11.5	12.4
4.50% Note, due 2022	10.5	11.3
Other, various maturity dates	3.0	3.2
Life Sciences		
Notes payable, due 2019	—	1.7
Broadcasting		
8.50% Notes due 2019 ⁽¹⁾	64.3	35.0
Other, various maturity dates	10.3	11.1
Non-Operating Corporate		
11.5% Senior Secured Notes, due 2021	470.0	470.0
7.5% Convertible Senior Notes, due 2022	55.0	55.0
LIBOR plus 6.75% Line of Credit	15.0	—
Total	851.0	781.0
Issuance discount, net and deferred financing costs	(30.6)	(37.1)
Debt obligations	\$ 820.4	\$ 743.9

⁽¹⁾ In October 2019, our Broadcasting segment completed the issuance of \$78.7 million of new notes. Net proceeds from the financing will be used to retire HC2 Broadcasting's existing 8.5% Notes, as well as fund pending acquisitions, working capital and general corporate purposes.

Marine Services

In June 2019, GMSL refinanced the Shawbrook loan, increasing the principal balance to £17.0 million, or approximately \$21.6 million, and extending the maturity to June 2020.

Energy

In June 2019, ANG entered into a term loan with M&T bank for \$28.0 million. The loan bears variable interest annually at LIBOR plus 3.0% and matures in 2023. The term loan was used to finance the acquisition of ampCNG stations.

Life Sciences

In June 2019, R2 converted a portion of the \$1.7 million secured convertible notes into shares of R2 preferred equity. The remaining portion was repaid.

Broadcasting

During the nine months ended September 30, 2019, HC2 Broadcasting issued an additional \$29.7 million of 8.5% notes (the "8.5% Notes"), and the maturity dates of the 8.5% Notes were extended to October 31, 2019. A portion of the net proceeds from the additional 8.5% Notes were used to pay down existing debt and fund acquisitions and capital expenditures.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Non-Operating Corporate

In April 2019, HC2 entered into a \$15.0 million secured revolving credit agreement (the “Revolving Credit Agreement”) with MSD PCOF Partners IX, LLC. The Revolving Credit Agreement matures on June 1, 2021. Loans under the Revolving Credit Agreement bear interest at a per annum rate equal to, at HC2's option, one, two or three month LIBOR plus a margin of 6.75%. In April 2019 and May 2019, HC2 drew \$5.0 million and \$10.0 million of the Revolving Credit Agreement, respectively. The Company used the proceeds for working capital and general corporate purposes.

14. Income Taxes

Income Tax Expense

The Company used the Annual Effective Tax Rate (“ETR”) approach of ASC 740-270, Interim Reporting, to calculate its 2019 interim tax provision.

Income tax was an expense of \$1.0 million and a benefit of \$9.2 million for the three months ended September 30, 2019 and 2018, respectively. The income tax expense recorded for the three months ended September 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income.

The income tax benefit recorded for the three months ended September 30, 2018 relates to the Insurance segment’s acquisition of Humana’s long term care business, KIC. The combined insurance entity projected a net operating loss for the year due to deductions for actuarial reserve strengthening. Income tax expense previously recorded was reversed in the period resulting in a benefit.

Income tax was an expense of \$6.2 million and \$1.9 million for the nine months ended September 30, 2019 and 2018, respectively. The income tax expense recorded for the nine months ended September 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration.

The income tax expense recorded for September 30, 2018 relates to the projected expense as calculated under ASC 740 for taxpaying entities. Additionally, previously recorded tax expense had been reversed as a result of the Insurance segment’s acquisition of Humana’s long term care business, KIC. The combined insurance entity projected a net operating loss for the year due to deductions for the actuarial reserve strengthening. No additional income tax benefit for the combined insurance entity was recorded as it was in a cumulative loss position and a valuation allowance continued to be maintained against its deferred tax assets. The income tax expense generated from the sale of BeneVir was offset by tax attributes for which a valuation allocation had been recorded. No benefit was recognized on the losses of the HC2 U.S. tax consolidated group and the losses of their subsidiaries as valuation allowances are recorded on the deferred tax assets of these companies.

As a result of the enactment of Public Law 115-97, known informally as the Tax Cuts and Jobs Act (“TCJA”) on December 22, 2017, we are subject to several provisions of the TCJA including computations under the interest limitation rules. We have included the impact of each of these provisions in our overall tax expense for the nine months ended September 30, 2019.

Unrecognized Tax Benefits

The Company follows the provision of ASC 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.

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 - 2018 remain open for examination.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

15. Commitments and Contingencies

Future minimum operating lease payments under non-cancellable operating leases as of December 31, 2018 were as follows (in millions):

	Operating Leases
2019	\$ 22.0
2020	18.7
2021	16.4
2022	8.8
2023	6.8
Thereafter	20.3
Total obligations	<u>\$ 93.0</u>

Litigation

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 Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Consolidated Financial Statements. The Company records a liability in its Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for its Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Consolidated Financial Statements.

Based on a review of the current facts and circumstances with counsel in each of the matters disclosed, management has provided for what is believed to be a reasonable estimate of loss exposure. While acknowledging the uncertainties of litigation, management believes that the ultimate outcome of litigation will not have a material effect on its financial position and will defend itself vigorously.

CGI Producer Litigation

On November 28, 2016, CGI, a subsidiary of the Company, Great American Financial Resource, Inc. ("GAFRI"), American Financial Group, Inc., and CIGNA Corporation were served with a putative class action complaint filed by John Fastrich and Universal Investment Services, Inc. in The United States District Court for the District of Nebraska alleging breach of contract, tortious interference with contract and unjust enrichment. The plaintiffs contend that they were agents of record under various CGI policies and that CGI allegedly instructed policyholders to switch to other CGI products and caused the plaintiffs to lose commissions, renewals, and overrides on policies that were replaced. The complaint also alleges breach of contract claims relating to allegedly unpaid commissions related to premium rate increases implemented on certain long-term care insurance policies. Finally, the complaint alleges breach of contract claims related to vesting of commissions. On August 21, 2017, the Court dismissed the plaintiffs' tortious interference with contract claim. CGI believes that the remaining allegations and claims set forth in the complaint are without merit and intends to vigorously defend against them.

The case was set for voluntary mediation, which occurred on January 26, 2018. The Court stayed discovery pending the outcome of the mediation. On February 12, 2018, the parties notified the Court that mediation did not resolve the case and that the parties' discussions regarding a possible settlement of the action were still ongoing. The Court held a status conference on March 22, 2018, during which the parties informed the Court that settlement negotiations remain ongoing. Nonetheless, the Court entered a scheduling order setting the case for trial during the week of October 15, 2019. Meanwhile, the parties' continued settlement negotiations led to a tentative settlement. On February 4, 2019, the plaintiffs executed a class settlement agreement with CGI, Loyal American Life Insurance Company, American Retirement Life Insurance Company, GAFRI, and American Financial Group, Inc. (collectively, the "Defendants"). The settlement agreement, which would require GAFRI to make a \$1.25 million payment on behalf of the Defendants, is subject to final Court approval. On February 4, 2019, the plaintiffs filed a motion for preliminary approval of the class settlement in a parallel action in the Southern District of Ohio, Case No. 17-CV-00615-SJD, which motion was granted by the Southern District of Ohio on April 2, 2019. Meanwhile, the case pending before the District of Nebraska was stayed on February 6, 2019, pending final approval of the class action settlement in the Ohio action. The final settlement hearing was held on September 17, 2019.

On October 7, 2019, the Court entered a final approval order certifying the class and approving the class settlement. Absent an appeal, the Court's decision granting final approval in the Ohio action will become final on November 6, 2019, thirty days after the date of the Court's order.

Further, the Company and CGI are seeking defense costs and indemnification for plaintiffs' claims from GAFRI and Continental General Corporation ("CGC") under the terms of an Amended and Restated Stock Purchase Agreement ("SPA") related to the Company's acquisition of CGI in December 2015. GAFRI and CGC rejected CGI's demand for defense and indemnification and, on January 18, 2017, the Company and CGI filed a Complaint against GAFRI and CGC in the Superior Court of Delaware seeking a declaratory judgment to enforce their indemnification rights under the SPA. On February 23, 2017, GAFRI answered CGI's complaint, denying the allegations. Meanwhile, the parties' continued settlement negotiations resulted in a settlement agreement in the Delaware action. The settlement agreement, which requires CGI to contribute \$250,000 to the settlement payment made by GAFRI in the class action, is contingent on the final approval of the class action settlement in the Ohio action.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

VAT assessment

On February 20, 2017, and on August 15, 2017, the Company's subsidiary, ICS, received notices from Her Majesty's Revenue and Customs office in the U.K. (the "HMRC") indicating that it was required to pay certain Value-Added Taxes ("VAT") for the 2015 and 2016 tax years. ICS disagrees with HMRC's assessments on technical and factual grounds and intends to dispute the assessed liabilities and vigorously defend its interests. We do not believe the assessment to be probable and expect to prevail based on the facts and merits of our existing VAT position.

DBMG Class Action

On November 6, 2014, a putative stockholder class action complaint challenging the tender offer by which HC2 acquired approximately 721,000 of the issued and outstanding common shares of DBMG 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 plaintiffs' counsel. The currently operative complaint is the Complaint filed by Mark Jacobs. The Complaint alleges, among other things, that in connection with the tender offer, the individual members of the DBMG Board of Directors and HC2, the non-controlling stockholder of DBMG, 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 DBMG following the completion of the tender offer. 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.

The parties have been exploring alternative frameworks for a potential settlement. There can be no assurance that a settlement will be finalized or that the Delaware Courts would approve such a settlement even if the parties enter into a settlement agreement. If a settlement cannot be reached, the Company believes it has meritorious defenses and intends to vigorously defend this matter.

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.

16. Employee Retirement Plans

The following table presents the components of Net periodic benefit cost for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Service cost - benefits earning during the period	\$ —	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	1.3	1.3	4.0	4.1
Expected return on assets	(1.6)	(1.9)	(5.0)	(5.7)
Actuarial gain	—	—	—	—
Foreign currency gain (loss)	—	—	—	(0.1)
Net periodic benefit	\$ (0.3)	\$ (0.6)	\$ (1.0)	\$ (1.7)

For the three months ended September 30, 2019, \$1.6 million of contributions have been made to the Company's pension plans, comprising \$1.6 million of fixed contributions. For the nine months ended September 30, 2019, \$5.3 million of contributions have been made to the Company's pension plans, comprising \$5.0 million of fixed contributions and \$0.3 million of variable contributions. The Company anticipates contributing an additional \$1.7 million during 2019, comprising \$1.7 million of fixed contributions.

Under a revised deficit recovery plan agreed between GMSL and the trustees of GMSL's pension plan dated March 20, 2018, which was subsequently submitted to the UK government's Pension Regulator, contributions of approximately \$12.3 million deferred from 2016 and 2017 due in December 2017 were further deferred. To support this second deferral, the Company provided secured assets. These are the Q1400-1 trencher and the Q1400-2 trencher. Consistent with earlier recovery plans, the revised deficit recovery plan comprises three elements: fixed contributions, variable contributions (profit-related element) and variable contributions (dividend-related element), though the amounts and some definitions have been modified. The fixed contributions, payable in installments, comprise approximately \$6.4 million in 2019, approximately \$6.6 million in 2020, approximately \$6.8 million in 2021 and approximately \$3.0 million in 2022. The variable contributions (profit-related element) are calculated as 10% of GMSL's audited operating profit and paid two years in arrears in December each year from 2018. The variable contributions (dividend-related) equate to 50% of any future dividend paid by GMSL.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

17. Share-based Compensation

The Company granted zero and 662,769 options during the three and nine months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2018, the weighted average fair value at date of grant for options granted was \$2.91 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:

	September 30, 2019	September 30, 2018
Expected option life (in years)	—	0.88 - 5.84
Risk-free interest rate	—%	2.24 - 2.85%
Expected volatility	—%	47.51 - 47.89%
Dividend yield	—%	—%

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was \$2.0 million and \$3.3 million for the three months ended September 30, 2019 and 2018, respectively.

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was \$5.9 million and \$8.1 million for the nine months ended September 30, 2019 and 2018, respectively.

All grants are time based and vest either immediately or over a period established at grant. The Company recognizes compensation expense for equity awards, reduced by actual forfeitures, using the straight-line basis.

Restricted Stock

A summary of HC2's restricted stock activity is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested - December 31, 2018	3,031,469	\$ 5.93
Granted	542,450	\$ 2.57
Vested	(1,144,831)	\$ 6.07
Forfeited	(10,613)	\$ 2.91
Unvested - September 30, 2019	2,418,475	\$ 5.12

At September 30, 2019, the total unrecognized stock-based compensation expense related to unvested restricted stock was \$6.7 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 1.5 years.

Stock Options

A summary of HC2's stock option activity is as follows:

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2018	7,160,861	\$ 6.51
Granted	—	\$ —
Exercised	—	\$ —
Forfeited	—	\$ —
Expired	(93,269)	\$ 5.47
Outstanding - September 30, 2019	7,067,592	\$ 6.52
Eligible for exercise	6,613,099	\$ 6.59

At September 30, 2019, the intrinsic value and weighted average remaining life of the Company's outstanding options were zero and approximately 5.5 years, and intrinsic value and weighted average remaining life of the Company's exercisable options were zero and approximately 5.4 years.

At September 30, 2019, total unrecognized stock-based compensation expense related to unvested stock options was \$0.8 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 1.4 years. There are 454,493 unvested stock options expected to vest, with a weighted average remaining life of 7.3 years, a weighted average exercise price of \$5.46, and an intrinsic value of zero.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

18. Equity

Series A Preferred Stock and Series A-2 Preferred Stock

The Company's preferred shares authorized, issued and outstanding consisted of the following:

	September 30, 2019	December 31, 2018
Preferred shares authorized, \$0.001 par value	20,000,000	20,000,000
Series A shares issued and outstanding	6,375	6,375
Series A-2 shares issued and outstanding	4,000	14,000

Preferred Share Activity

CGI Purchase

On January 11, 2019, CGI purchased 10,000 shares of Series A-2 Preferred Stock, which are convertible into a total of 1,420,455 shares of the Company's common stock, for a total consideration of \$8.3 million. The shares and dividends accrued related to the Series A-2 Preferred Stock owned by CGI are eliminated in consolidation. The shares were purchased at a discount of \$1.7 million, which was recorded within the Preferred dividends, deemed dividends, and repurchase gains line item of the Condensed Consolidated Statements of Operations as a deemed dividend.

Luxor and Corrib Conversions

On August 2, 2016, the Company entered into separate agreements with each of Corrib Master Fund, Ltd. ("Corrib"), then a holder of 1,000 shares of Series A Preferred Stock, and certain investment entities managed by Luxor Capital Group, LP ("Luxor"), that together then held 9,000 shares of Series A-1 Preferred Stock. In conjunction with the conversions, the Company agreed to provide the following two forms of additional consideration for as long as the Preferred Stock remained entitled to receive dividend payments (the "Additional Share Consideration"):

- The Company agreed that in the event that Corrib and Luxor would have been entitled to any Participating Dividends payable, had they not converted the Preferred Stock (as defined in the respective Series A and Series A-1 Certificate of Designation), after the date of their Preferred Share conversion, then the Company will issue to Corrib and Luxor, on the date such Participating Dividends become payable by the Company, in a transaction exempt from the registration requirements of the Securities Act the number of shares of common stock equal to (a) the value of the Participating Dividends Corrib or Luxor would have received pursuant to Sections (2)(c) and (2)(d) of the respective Series A and Series A-1 Certificate of Designation, divided by (b) the Thirty Day VWAP (as defined in the respective Series A and Series A-1 Certificate of Designation) for the period ending two business days prior to the underlying event or transaction that would have entitled Corrib or Luxor to such Participating Dividend had Corrib's or Luxor's Preferred Stock remain unconverted.
- The Company agreed that it will issue to Corrib and Luxor, on each quarterly anniversary commencing May 29, 2017 (or, if later, the date on which the corresponding dividend payment is made to the holders of the outstanding Preferred Stock), through and until the Maturity Date (as defined in the respective Series A and Series A-1 Certificate of Designation), in a transaction exempt from the registration requirements of the Securities Act the number of shares of common stock equal to (a) 1.875% the Accrued Value (as defined in the respective Series A and Series A-1 Certificate of Designation) of Corrib's or Luxor's Preferred Stock as of the Closing Date (as defined in applicable Voluntary Conversion Agreements) divided by (b) the Thirty Day VWAP (as defined in the respective Series A and Series A-1 Certificate of Designation) for the period ending two business days prior to the applicable Dividend Payment Date (as defined in the respective Series A and Series A-1 Certificate of Designation).

For the nine months ended September 30, 2019, 193,229 and 21,740 shares of the Company's common stock have been issued to Luxor and Corrib, respectively, in conjunction with the Conversion agreement.

The fair value of the Additional Share Consideration was valued by the Company at \$0.6 million on the date of issuance and was recorded within Preferred stock and deemed dividends from conversion line item of the Consolidated Statements of Operations as a deemed dividend.

Preferred Share Dividends

During the nine months ended September 30, 2019 and 2018, HC2's Board of Directors declared cash dividends with respect to HC2's issued and outstanding Preferred Stock, excluding Preferred Stock owned by CGI which is eliminated in consolidation, as presented in the following table (in millions):

2019

Declaration Date	March 31, 2019	June 30, 2019	September 30, 2019
Holders of Record Date	March 31, 2019	June 30, 2019	September 30, 2019
Payment Date	April 15, 2019	July 15, 2019	October 15, 2019
Total Dividend	\$ 0.2	\$ 0.2	\$ 0.2

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

2018

Declaration Date	March 31, 2018	June 30, 2018	September 30, 2018
Holders of Record Date	March 31, 2018	June 30, 2018	September 30, 2018
Payment Date	April 16, 2018	July 16, 2018	October 15, 2018
Total Dividend	\$ 0.5	\$ 0.5	\$ 0.5

19. Related Parties

HC2

In January 2015, the Company entered into a services agreement (the "Services Agreement") with Harbinger Capital Partners, a related party of the Company, with respect to the provision of services that may include providing office space and operational support and each party making available their respective employees to provide services as reasonably requested by the other party, subject to any limitations contained in applicable employment agreements and the terms of the Services Agreement. The Company recognized \$0.6 million and \$1.0 million of expenses under the Services Agreement for each of the three months ended September 30, 2019 and 2018, respectively. The Company recognized \$2.5 million and \$2.9 million for each of the nine months ended September 30, 2019 and 2018, respectively.

In June 2018, the Company funded \$0.8 million to Harbinger Capital Partners for a deposit in connection with its allocable portion of shared office space occupied by the Company.

GMSL

In November 2017, GMSL acquired the trenching and cable laying services business from Fugro N.V. ("Fugro"). As part of the transaction, Fugro became a 23.6% holder of GMSL's parent, Global Marine Holdings, LLC ("GMH"). GMSL, in the normal course of business, incurred revenue and expenses with Fugro for various services.

For each of the three months ended September 30, 2019 and 2018, GMSL recognized \$3.0 million, of expenses for transactions with Fugro. For the nine months ended September 30, 2019 and 2018, GMSL recognized \$8.3 million and \$7.1 million, respectively, of expenses for transactions with Fugro.

For the nine months ended September 30, 2019 and 2018, GMSL recognized \$0.8 million and zero, respectively, of revenues.

The parent company of GMSL, GMH, incurred management fees of \$0.2 million and \$0.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$0.5 million for each of the nine months ended September 30, 2019 and 2018.

GMSL also has transactions with several of their equity method investees. A summary of transactions with such equity method investees and balances outstanding are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net revenue	\$ 2.6	\$ 5.7	\$ 5.6	\$ 13.3
Operating expenses	\$ 0.1	\$ 0.3	\$ 0.8	\$ 1.4
Interest expense	\$ 0.3	\$ 0.3	\$ 0.8	\$ 1.0
Dividends	\$ 1.9	\$ 21.9	\$ 3.0	\$ 24.3
			September 30, 2019	December 31, 2018
Accounts receivable			\$ 1.8	\$ 5.0
Long-term obligations			\$ 23.6	\$ 28.5
Accounts payable			\$ 0.1	\$ 2.2

Life Sciences

Pansend has an investment in Triple Ring Technologies, Inc. ("Triple Ring"). Various subsidiaries of HC2 utilize the services of Triple Ring, incurring \$0.5 million and \$1.3 million in services for the three and nine months ended September 30, 2019, respectively.

In June 2019, R2 converted its secured convertible note with Blossom Innovation, LLC into shares of R2 preferred equity.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

20. Operating Segment and Related Information

The Company currently has two primary reportable geographic segments - United States and United Kingdom. The Company has eight reportable operating segments based on management's organization of the enterprise - Construction, Marine Services, Energy, Telecommunications, Insurance, Life Sciences, Broadcasting, Other, and a Non-operating Corporate segment. Net revenue and long-lived assets by geographic segment are reported on the basis of where the entity is domiciled. All inter-segment revenues are eliminated. The Company's revenue concentrations of 10% and greater are as follows:

	Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Customer A	Telecommunications	*	11.6%	*	11.4%

* Less than 10% revenue concentration

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Revenue by Geographic Region				
United States	\$ 419.3	\$ 450.2	\$ 1,329.8	\$ 1,285.6
United Kingdom	46.3	45.1	127.3	146.8
Other	10.1	6.1	28.6	19.4
Total	<u>\$ 475.7</u>	<u>\$ 501.4</u>	<u>\$ 1,485.7</u>	<u>\$ 1,451.8</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net revenue				
Construction	\$ 168.4	\$ 195.3	\$ 556.2	\$ 531.2
Marine Services	48.2	44.8	130.0	149.9
Energy	8.7	4.6	19.3	16.2
Telecommunications	162.2	187.8	507.0	580.6
Insurance	80.4	77.2	251.3	161.1
Broadcasting	10.0	12.0	29.8	33.7
Other	—	0.3	—	3.7
Eliminations (*)	(2.2)	(20.6)	(7.9)	(24.6)
Total net revenue	<u>\$ 475.7</u>	<u>\$ 501.4</u>	<u>\$ 1,485.7</u>	<u>\$ 1,451.8</u>

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and nine months ended September 30, 2019 and 2018 which are related to entities under common control which are eliminated or are reclassified in consolidation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Income (loss) from operations				
Construction	\$ 12.4	\$ 12.5	\$ 34.3	\$ 30.3
Marine Services	2.2	(8.5)	(4.6)	(8.5)
Energy	0.4	(0.4)	(0.3)	0.5
Telecommunications	(0.4)	1.3	0.4	3.4
Insurance	10.6	7.5	75.9	14.5
Life Sciences	(3.0)	(2.2)	(6.6)	(12.0)
Broadcasting	(3.8)	(5.3)	(8.8)	(21.4)
Other	—	(1.0)	—	(2.4)
Non-operating Corporate	(6.6)	(7.6)	(20.3)	(23.4)
Eliminations (*)	(2.2)	(20.6)	(7.9)	(24.6)
Total income (loss) from operations	<u>\$ 9.6</u>	<u>\$ (24.3)</u>	<u>\$ 62.1</u>	<u>\$ (43.6)</u>

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and nine months ended September 30, 2019 and 2018 which are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

A reconciliation of the Company's consolidated segment operating income to consolidated earnings before income taxes is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Income (loss) from operations	\$ 9.6	\$ (24.3)	\$ 62.1	\$ (43.6)
Interest expense	(24.0)	(17.5)	(69.3)	(54.0)
Gain on sale and deconsolidation of subsidiary	—	3.0	—	105.1
Income from equity investees	0.3	8.1	1.5	13.7
Gain on bargain purchase	—	109.1	1.1	109.1
Other income, net	6.8	63.9	5.4	64.0
(Loss) income from continuing operations	(7.3)	142.3	0.8	194.3
Income tax (expense) benefit	(1.0)	9.2	(6.2)	(1.9)
Net (loss) income	(8.3)	151.5	(5.4)	192.4
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	1.2	2.0	4.9	(18.6)
Net (loss) income attributable to HC2 Holdings, Inc.	(7.1)	153.5	(0.5)	173.8
Less: Preferred dividends, deemed dividends, and repurchase gains	0.4	0.7	(0.4)	2.1
Net (loss) income attributable to common stock and participating preferred stockholders	\$ (7.5)	\$ 152.8	\$ (0.1)	\$ 171.7

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Depreciation and Amortization				
Construction	\$ 3.9	\$ 1.9	\$ 11.8	\$ 5.0
Marine Services	6.4	6.9	19.4	20.1
Energy	2.0	1.4	4.9	4.1
Telecommunications	0.1	0.1	0.3	0.3
Insurance (*)	(5.7)	(4.8)	(18.2)	(7.1)
Life Sciences	—	—	0.1	0.1
Broadcasting	1.8	0.7	4.7	2.3
Other	—	—	—	0.1
Non-operating Corporate	0.1	—	0.1	0.1
Total	\$ 8.6	\$ 6.2	\$ 23.1	\$ 25.0

(*) Balance includes amortization of negative VOBA, which increases net income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Capital Expenditures (*)				
Construction	\$ 1.4	\$ 6.6	\$ 6.8	\$ 10.8
Marine Services	2.7	4.7	10.9	18.8
Energy	0.1	0.3	0.4	1.5
Telecommunications	—	—	—	0.1
Insurance	0.4	—	0.6	0.3
Life Sciences	0.1	—	0.1	0.1
Broadcasting	3.5	0.5	8.6	0.7
Total	\$ 8.2	\$ 12.1	\$ 27.4	\$ 32.3

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

	September 30, 2019	December 31, 2018
Investments		
Construction	\$ 0.9	\$ 0.9
Marine Services	63.0	58.3
Insurance	4,361.1	3,821.4
Life Sciences	22.9	16.3
Other	2.6	5.6
Eliminations	(101.5)	(80.5)
Total	\$ 4,349.0	\$ 3,822.0

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment, net		
United States	\$ 218.5	\$ 178.2
United Kingdom	182.9	192.7
Other	4.4	5.4
Total	<u>\$ 405.8</u>	<u>\$ 376.3</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Total Assets		
Construction	\$ 508.7	\$ 537.9
Marine Services	378.4	368.6
Energy	120.4	77.6
Telecommunications	107.9	139.9
Insurance	5,617.7	5,213.1
Life Sciences	32.2	35.6
Broadcasting	255.0	202.8
Other	2.6	5.6
Non-operating Corporate	24.1	9.2
Eliminations	(101.5)	(86.5)
Total	<u>\$ 6,945.5</u>	<u>\$ 6,503.8</u>

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. Basic and Diluted Income Per Common Share

Earnings per share ("EPS") is calculated using the two-class method, which allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities. As such, shares of any unvested restricted stock of the Company are considered participating securities. The dilutive effect of options and their equivalents (including non-vested stock issued under stock-based compensation plans), is computed using the "treasury" method as this measurement was determined to be more dilutive between the two available methods in each period.

The Company had no dilutive common share equivalents during the three and nine months ended September 30, 2019, due to the results of operations being a loss from continuing operations, net of tax.

The following potential weighted common shares were excluded from diluted EPS for the three and nine months ended September 30, 2018 as the shares were antidilutive: 2,019,972 for outstanding warrants to purchase the Company's stock and 4,787,602 for convertible preferred stock.

The following table presents a reconciliation of net income (loss) used in basic and diluted EPS calculations (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net (loss) income attributable to common stock and participating preferred stockholders	\$ (7.5)	\$ 152.8	\$ (0.1)	\$ 171.7
Earnings allocable to common shares:				
<i>Numerator for basic and diluted earnings per share</i>				
Participating shares at end of period:				
Weighted-average common stock outstanding	45.7	44.3	45.4	44.2
Unvested restricted stock	0.6	0.4	0.5	0.3
Preferred stock (as-converted basis)	2.1	4.8	2.1	4.8
Total	48.4	49.5	48.0	49.3
Percentage of loss allocated to:				
Common stock	94.4%	89.5%	94.6%	89.6%
Unvested restricted stock	1.2%	0.8%	1.0%	0.7%
Preferred stock	4.4%	9.7%	4.4%	9.7%
Net (loss) income attributable to common stock, basic	\$ (7.1)	\$ 136.7	\$ (0.1)	\$ 153.8
<i>Distributed and Undistributed earnings to Common Shareholders:</i>				
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	—	0.4	—	0.3
Income from the dilutive impact of subsidiary securities	—	—	—	—
Net (loss) income attributable to common stock, diluted	\$ (7.1)	\$ 137.1	\$ (0.1)	\$ 154.1
<i>Denominator for basic and dilutive earnings per share</i>				
Weighted average common shares outstanding - basic	45.7	44.3	45.4	44.2
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	—	1.9	—	1.4
Weighted average common shares outstanding - diluted	45.7	46.2	45.4	45.6
Net (loss) income attributable to participating security holders - Basic	\$ (0.16)	\$ 3.09	\$ —	\$ 3.48
Net (loss) income attributable to participating security holders - Diluted	\$ (0.16)	\$ 2.97	\$ —	\$ 3.38

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

22. Subsequent Events

On October 24, 2019, our Broadcasting segment completed the issuance of \$78.7 million of new notes. The net proceeds from the financing will be used to retire HC2 Broadcasting's existing 8.5% Notes, as well as fund pending acquisitions, working capital and general corporate purposes. The privately placed notes are comprised of a \$36.2 million Tranche A piece funded by an affiliate of MSD Partners, L.P., along with a \$42.5 million Tranche B piece funded by an institutional lender. The notes will have a blended PIK coupon rate of 9.6% and mature in October 2020.

On October 30, 2019, our Marine Services segment announced the sale of its stake in Huawei Marine Networks Co., Limited ("HMN"), its 49% joint venture with Huawei Technologies Co., Ltd., to Hengtong Optic-Electric Co Ltd. The sale of GMSL's interest values HMN at \$285 million, and GMSL's 49% stake at approximately \$140.0 million.

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of HC2 Holdings, Inc. ("HC2," "we," "us," "our" and, collectively with its subsidiaries, the "Company") should be read in conjunction with 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 Form 10-K. 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, 2018, filed with the SEC on March 12, 2019, 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.

Our Business

We are a diversified holding company with principal operations conducted through eight operating platforms or reportable segments: Construction ("DBMG"), Marine Services ("GMSL"), Energy ("ANG"), Telecommunications ("ICS"), Insurance ("CIG"), Life Sciences ("Pansend"), Broadcasting, and Other, which includes businesses that do not meet the separately reportable segment thresholds.

We continually evaluate acquisition opportunities, as well as monitor a variety of key indicators of our underlying platform companies in order to maximize stakeholder value. These indicators include, but are not limited to, revenue, cost of revenue, operating profit, Adjusted EBITDA and free cash flow. Furthermore, we work very closely with our subsidiary platform executive management teams on their operations and assist them in the evaluation and diligence of asset acquisitions, dispositions and any financing or operational needs at the subsidiary level. We believe that this close relationship allows us to capture synergies within the organization across all platforms and strategically position the Company for ongoing growth and value creation.

The potential for additional acquisitions and new business opportunities, while strategic, may result in acquiring assets unrelated to our current or historical operations. As part of any acquisition strategy, we may raise capital in the form of debt and/or equity securities (including preferred stock) or a combination thereof. We have broad discretion and experience in identifying and selecting acquisition and business combination opportunities and the industries in which we seek such opportunities. Many times, we face significant competition for these opportunities, including from numerous companies with a business plan similar to ours. As such, there can be no assurance that any of the past or future discussions we have had or may have with candidates will result in a definitive agreement and, if they do, what the terms or timing of any potential agreement would be. As part of our acquisition strategy, we may utilize a portion of our available cash to acquire interests in possible acquisition targets. Any securities acquired are marked to market and may increase short-term earnings volatility as a result.

We believe our track record, our platform and our strategy will enable us to deliver strong financial results, while positioning our Company for long-term growth. We believe the unique alignment of our executive compensation program, with our objective of increasing long-term stakeholder value, is paramount to executing our vision of long-term growth, while maintaining our disciplined approach. Having designed our business structure to not only address capital allocation challenges over time, but also maintain the flexibility to capitalize on opportunities during periods of market volatility, we believe the combination thereof positions us well to continue to build long-term stakeholder value.

Our Operations

Refer to Note 1. Organization and Business to our unaudited Condensed Consolidated Financial Statements for additional information.

Seasonality

Our segments' operations can be highly cyclical and subject to seasonal patterns. Our volume of business in our Construction and Marine Services segments may be adversely affected by declines or delays in projects, which may vary by geographic region. Project schedules, particularly in connection with large, complex, and longer-term projects can also create fluctuations in the services provided, which may adversely affect us in a given period.

For example, in connection with larger, more complicated projects, the timing of obtaining permits and other approvals may be delayed, and we may need to maintain a portion of our workforce and equipment in an underutilized capacity to ensure we are strategically positioned to deliver on such projects when they move forward.

Examples of other items that may cause our results or demand for our services to fluctuate materially from quarter to quarter include: weather or project site conditions, financial condition of our customers and their access to capital; margins of projects performed during any particular period; economic, and political and market conditions on a regional, national or global scale.

Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

Marine Services

Net revenue within our Marine Services segment can fluctuate depending on the season. Revenues are relatively stable for our Marine Services maintenance business as the core driver is the annual contractual obligation. However, this is not the case with our installation business (other than for long-term charter arrangements), in which revenues show a degree of seasonality. Revenues in our Marine Services installation business are driven by our customers' need for new cable installations. Generally, weather downtime, and the additional costs related to downtime, is a significant factor in customers determining their installation schedules, and most installations are therefore scheduled for the warmer months. As a result, installation revenues are generally lower towards the end of the fourth quarter and throughout the first quarter, as most business is concentrated in the northern hemisphere.

Other than as described above, our businesses are not materially affected by seasonality.

Recent Developments

Acquisitions and Dispositions

Marine Services

On October 30, 2019, our Marine Services segment announced the sale of its stake in Huawei Marine Networks Co., Limited ("HMN"), its 49% joint venture with Huawei Technologies Co., Ltd., to Hengtong Optic-Electric Co Ltd. The equity investment in HMN has contributed \$12.3 million and \$12.7 million in equity method income for the nine months ended September 30, 2018 and year ended December 31, 2018, respectively. In the current period, GMSL recorded a \$0.2 million loss and income of \$2.4 million in equity method income for the three and nine months ended September 30, 2019, respectively, for its stake in HMN. The sale of GMSL's interest values HMN at \$285 million, and GMSL's 49% stake at approximately \$140 million.

Energy

On June 14, 2019, ANG acquired ampCNG's 20 natural gas fueling stations, located primarily in the Southeastern U.S. and Texas, for cash consideration of \$41.2 million. ANG's network reach expanded to over 60 stations, making it one of the largest owners and operators of compressed natural gas stations in the country.

Broadcasting

During the nine months ended September 30, 2019 HC2 Broadcasting acquired a series of licenses for a total cash consideration of \$16.1 million.

Life Sciences

On September 16, 2019, Pansend received a cash payment of \$13.3 million, which was previously held in an escrow, from the sale of its approximately 75.9% ownership in BeneVir to Janssen Biotech, Inc. HC2 received a cash payment of \$9.8 million from the release of the escrow.

Equity Transactions

Life Sciences

On July 31, 2019, MediBeacon entered into a definitive agreement with Huadong Medicine, a publicly traded company on the Shenzhen Stock Exchange, providing exclusive rights to MediBeacon's portfolio of assets in Greater China. Huadong Medicine is now responsible to fund the clinical trials, commercial and regulatory activities in 25 Asian countries, including Greater China (PRC Mainland China, Hong Kong, Macau, Taiwan), Thailand, Vietnam, Indonesia, Philippines and Singapore. Under terms of the agreement, MediBeacon received an initial \$15.0 million equity payment at a pre-money valuation of \$300.0 million and will receive a second \$15.0 million equity payment upon achieving US FDA approval for its TGFR Measurement System at a pre-money valuation of \$400.0 million. Huadong Medicine will fund all commercial and regulatory activities in Greater China and select Asian countries. In addition, MediBeacon will receive royalty payments on net sales in the specified countries. As part of this transaction, Richard B. Dorshow, PhD, Chief Scientific Officer and Co-Founder of MediBeacon Inc., will assume the role of Special Scientific Advisor to Huadong Medicine.

Debt Obligations

Marine Services

In June 2019, GMSL refinanced the Shawbrook loan, increasing the principal balance to £17.0 million, or approximately \$21.6 million, and extending the maturity to June 2020.

Energy

In June 2019, ANG entered into a term loan with M&T bank for \$28.0 million. The loan bears variable interest annually at LIBOR plus 3.00% and matures in 2023. The term loan was used to finance the acquisition of ampCNG stations.

Life Sciences

In June 2019, R2 converted a portion of the \$1.7 million secured convertible notes into shares of R2 preferred equity. The remaining portion was repaid.

Broadcasting

During the nine months ended September 30, 2019, HC2 Broadcasting issued an additional \$29.7 million of 8.5% notes (the "8.5% Notes") and the maturity dates of the 8.5% Notes were extended to October 31, 2019. A portion of the net proceeds from the additional 8.5% Notes were used to pay down existing debt and fund acquisitions and capital expenditures.

On October 24, 2019, our Broadcasting segment completed the issuance of \$78.7 million of new notes. The net proceeds from the financing will be used to retire HC2 Broadcasting's existing 8.5% Notes, as well as fund pending acquisitions, working capital and general corporate purposes.

Non-Operating Corporate

In April 2019, HC2 entered into a \$15.0 million secured revolving credit agreement (the "Revolving Credit Agreement") with MSD PCOF Partners IX, LLC. The Revolving Credit Agreement matures on June 1, 2021. Loans under the Revolving Credit Agreement bear interest at a per annum rate equal to, at HC2's option, one, two or three month LIBOR plus a margin of 6.75%. In April 2019 and May 2019, HC2 drew \$5.0 million and \$10.0 million of the Revolving Credit Agreement, respectively. The Company used the proceeds for working capital and general corporate purposes.

Dividends

HC2 received \$13.5 million in dividends from its Construction segment during the nine months ended September 30, 2019.

HC2 received \$4.3 million in dividends from its Telecommunications segment during the nine months ended September 30, 2019.

HC2 received \$2.6 million and \$7.4 million in net management fees during the three and nine months ended September 30, 2019, respectively, related to fees earned in the fourth quarter of 2018 and first half of 2019.

Tax Sharing Agreement

Under a tax sharing agreement, the Construction segment reimburses HC2 for use of its net operating losses. During the nine months ended September 30, 2019, HC2 received \$10.0 million from its Construction segment under this tax sharing agreement.

Financial Presentation Background

In the below section within this Management's Discussion and Analysis of Financial Condition and Results of Operations, we compare, pursuant to U.S. GAAP and SEC disclosure rules, the Company's results of operations for the three and nine months ended September 30, 2019 as compared to the three and nine months ended September 30, 2018.

Results of Operations

Presented below is a table that summarizes our results of operations and a comparison of the change between the periods presented (in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue						
Construction	\$ 168.4	\$ 195.3	\$ (26.9)	\$ 556.2	\$ 531.2	\$ 25.0
Marine Services	48.2	44.8	3.4	130.0	149.9	(19.9)
Energy	8.7	4.6	4.1	19.3	16.2	3.1
Telecommunications	162.2	187.8	(25.6)	507.0	580.6	(73.6)
Insurance	80.4	77.2	3.2	251.3	161.1	90.2
Broadcasting	10.0	12.0	(2.0)	29.8	33.7	(3.9)
Other	—	0.3	(0.3)	—	3.7	(3.7)
Eliminations ⁽¹⁾	(2.2)	(20.6)	18.4	(7.9)	(24.6)	16.7
Total net revenue	475.7	501.4	(25.7)	1,485.7	1,451.8	33.9
Income (loss) from operations						
Construction	\$ 12.4	\$ 12.5	\$ (0.1)	\$ 34.3	\$ 30.3	\$ 4.0
Marine Services	2.2	(8.5)	10.7	(4.6)	(8.5)	3.9
Energy	0.4	(0.4)	0.8	(0.3)	0.5	(0.8)
Telecommunications	(0.4)	1.3	(1.7)	0.4	3.4	(3.0)
Insurance	10.6	7.5	3.1	75.9	14.5	61.4
Life Sciences	(3.0)	(2.2)	(0.8)	(6.6)	(12.0)	5.4
Broadcasting	(3.8)	(5.3)	1.5	(8.8)	(21.4)	12.6
Other	—	(1.0)	1.0	—	(2.4)	2.4
Non-operating Corporate	(6.6)	(7.6)	1.0	(20.3)	(23.4)	3.1
Eliminations ⁽¹⁾	(2.2)	(20.6)	18.4	(7.9)	(24.6)	16.7
Total income (loss) from operations	9.6	(24.3)	33.9	62.1	(43.6)	105.7
Interest expense	(24.0)	(17.5)	(6.5)	(69.3)	(54.0)	(15.3)
Gain on sale and deconsolidation of subsidiary	—	3.0	(3.0)	—	105.1	(105.1)
Income from equity investees	0.3	8.1	(7.8)	1.5	13.7	(12.2)
Gain on bargain purchase	—	109.1	(109.1)	1.1	109.1	(108.0)
Other income, net	6.8	63.9	(57.1)	5.4	64.0	(58.6)
(Loss) income from continuing operations	(7.3)	142.3	(149.6)	0.8	194.3	(193.5)
Income tax (expense) benefit	(1.0)	9.2	(10.2)	(6.2)	(1.9)	(4.3)
Net (loss) income	(8.3)	151.5	(159.8)	(5.4)	192.4	(197.8)
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	1.2	2.0	(0.8)	4.9	(18.6)	23.5
Net (loss) income attributable to HC2 Holdings, Inc.	(7.1)	153.5	(160.6)	(0.5)	173.8	(174.3)
Less: Preferred dividends, deemed dividends, and repurchase gains	0.4	0.7	(0.3)	(0.4)	2.1	(2.5)
Net (loss) income attributable to common stock and participating preferred stockholders	\$ (7.5)	\$ 152.8	\$ (160.3)	\$ (0.1)	\$ 171.7	\$ (171.8)

⁽¹⁾ The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for three and nine months ended September 30, 2019 and 2018, which are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

Net revenue: Net revenue for the three months ended September 30, 2019 decreased \$25.7 million to \$475.7 million from \$501.4 million for the three months ended September 30, 2018. The decrease was primarily driven by a decline in revenue from our Construction segment, driven by our structural steel fabrication and erection business, which had increased activity in the comparable period on certain large commercial projects that are now at or near completion in the current period, partially offset by new revenues from DBMG's acquisition of GrayWolf, our industrial construction, maintenance and fabrication business, which was acquired late in the fourth quarter of 2018. Adding to the decrease was our Telecommunication segment attributed to changes in our customer mix, fluctuations in wholesale voice termination volumes and market pressures, which resulted in a decline in revenue contribution. This was partially offset by an increase in our Insurance segment, net of eliminations, driven primarily by the KIC acquisition, which contributed additional net investment income and premiums, and a rotation into higher yielding investments, particularly mortgage loans and preferred stocks, and from higher average invested fixed maturity securities and mortgage loans.

Net revenue for the nine months ended September 30, 2019 increased \$33.9 million to \$1,485.7 million from \$1,451.8 million for the nine months ended September 30, 2018. The increase in revenue was driven by improvements in our Insurance and Construction segments. The increase in the Insurance segment, net of eliminations, was driven by the incremental net investment income and policy premiums from the KIC block acquisition and higher net investment income from the legacy CGI block driven by both the growth and mix of the investment portfolio, including a rotation into additional fixed rate assets. The increase in our Construction segment was primarily driven by DBMG's acquisition of GrayWolf, which was acquired late in the fourth quarter of 2018. These increases were partially offset by a decrease in our Telecommunication segment, which can be attributed to changes in our customer mix, fluctuations in wholesale traffic volumes, and market pressures, and our Marine Services segment, driven by a decrease in the number and scale of GMSL projects under execution for cable installation and repair work in the offshore renewables, power utility and telecom end markets.

Income (loss) from operations: Income (loss) from operations for the three months ended September 30, 2019 increased \$33.9 million to income of \$9.6 million from a loss of \$24.3 million for the three months ended September 30, 2018. The increase in income from operations was primarily driven by our Insurance segment, net of eliminations, due to the KIC acquisition, which contributed additional net investment income and premiums, net of additional policy benefits paid to policy holders, changes in reserves, and commissions. Further improvements to our comparable income from operations was the result of lower losses at our Marine Services segment driven by an increase in the scale of telecom cable installation projects, higher than expected costs on a certain offshore power construction project in the comparable period, and decreases in unutilized vessel costs.

Income (loss) from operations for the nine months ended September 30, 2019 increased \$105.7 million to income of \$62.1 million from a loss of \$43.6 million for the nine months ended September 30, 2018. The increase in income from operations was primarily driven by our Insurance segment, net of eliminations, due to the KIC acquisition, which contributed additional net investment income and premiums, net of additional policy benefits paid to policy holders, changes in reserves, and commissions. Further improvements to our comparable income from operations was the result of lower losses at our Broadcasting segment, mainly driven by cost cutting measures that resulted in a decrease in headcount and a decrease in associated compensation and overhead expenses.

Interest expense: Interest expense for the three months ended September 30, 2019 increased \$6.5 million to \$24.0 million from \$17.5 million for the three months ended September 30, 2018. Interest expense for the nine months ended September 30, 2019 increased \$15.3 million to \$69.3 million from \$54.0 million for the nine months ended September 30, 2018. The increases were largely attributable to the additional interest and amortization of deferred financing fees driven by an increase in the aggregate principal amount of debt at our Non-operating Corporate and Construction segments.

Gain on sale and deconsolidation of subsidiary: Gain on sale and deconsolidation of subsidiary was zero and \$3.0 million for the three months ended September 30, 2019 and 2018, respectively. The change was driven by the deconsolidation of 704Games.

Gain on sale and deconsolidation of subsidiary was zero and \$105.1 million for the nine months ended September 30, 2019 and 2018, respectively. The change was attributable to the Life Sciences segment sale of BeneVir in the second quarter of 2018 and the deconsolidation of 704Games.

Income from equity investees: Income from equity investees for the three months ended September 30, 2019 decreased \$7.8 million to income of \$0.3 million from income of \$8.1 million for the three months ended September 30, 2018. The decrease was largely due to lower equity method income recorded from our equity investment in HMN driven by comparatively stronger results in the prior period. Adding to the decline were increased losses in our equity investment in Medibeacon, due to the timing of clinical trials.

Income (loss) from equity investees for the nine months ended September 30, 2019 decreased \$12.2 million to income of \$1.5 million from income of \$13.7 million for the nine months ended September 30, 2018. The decreases were largely due to lower equity method income recorded from our equity investment in HMN and S.B. Submarine Systems ("SBSS"), driven by comparatively stronger results in the prior period.

Gain on bargain purchase: Gain on bargain purchase was zero and \$1.1 million for the three and nine months ended September 30, 2019, and \$109.1 million for the three and nine months ended September 30, 2018. The change was attributable to the Insurance segment's acquisition of KIC. The gain on bargain purchase was driven by the Tax Cuts and Jobs Act, which was not stipulated in the negotiations for the transaction and resulted in a material decline in the Value of Business Acquired balance and a corresponding deferred tax position.

Other income, net: Other income, net for the three months ended September 30, 2019 decreased \$57.1 million to \$6.8 million from \$63.9 million for the three months ended September 30, 2018. Other income, net for the nine months ended September 30, 2019 decreased \$58.6 million to \$5.4 million from \$64.0 million for the nine months ended September 30, 2018. The decreases were driven by the establishment of estimate contingent liabilities, the \$44.2 million gain in 2018, which established the Inseego investment to the fair value method of accounting, and the \$17.7 million reinsurance recapture gain in 2018 by our Insurance Segment. This was partially offset by gains at our Life Sciences segment, driven by the Medibeacon equity transaction in the third quarter of 2019, and by current period gains on the embedded derivative related to the Company's Convertible Senior Notes issued in the fourth quarter of 2018.

Income tax (expense) benefit: Income tax was an expense of \$1.0 million and a benefit of \$9.2 million for the three months ended September 30, 2019 and 2018, respectively. The income tax expense recorded for the three months ended September 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income. The income tax benefit recorded for the three months ended September 30, 2018 relates to the Insurance segment's acquisition of Humana's long term care business, Kanawha Insurance Company. The combined insurance entity projected a net

operating loss for the year due to deductions for actuarial reserve strengthening. Income tax expense previously recorded was reversed in the period resulting in a benefit.

Income tax expense was \$6.2 million and \$1.9 million for the nine months ended September 30, 2019 and 2018, respectively. The income tax expense recorded for the nine months ended September 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration. The income tax expense recorded for September 30, 2018 relates to the projected expense as calculated under ASC 740 for taxpaying entities. Additionally, previously recorded tax expense had been reversed as a result of the Insurance segment's acquisition of Humana's long term care business, Kanawha Insurance Company. The combined insurance entity projected a net operating loss for the year due to deductions for the actuarial reserve strengthening. No additional income tax benefit for the combined insurance entity was recorded as it was in a cumulative loss position and a valuation allowance continued to be maintained against its deferred tax assets. The income tax expense generated from the sale of BeneVir was offset by tax attributes for which a valuation allocation had been recorded. No benefit was recognized on the losses of the HC2 U.S. tax consolidated group and the losses of their subsidiaries as valuation allowances are recorded on the deferred tax assets of these companies.

Preferred stock and deemed dividends: Preferred stock and deemed dividends for the three months ended September 30, 2019 decreased \$0.3 million to \$0.4 million compared to \$0.7 million for the three months ended September 30, 2018. There was a decrease Preferred Stock dividends, as Preferred Stock dividends to our Insurance segment are eliminated in consolidation.

Preferred stock and deemed dividends for the nine months ended September 30, 2019 decreased \$2.5 million to a gain of \$0.4 million compared to a loss of \$2.1 million for the nine months ended September 30, 2018. The decrease was driven by the Insurance segment's purchase of 10,000 shares of the Company's Series A-2 Preferred Stock, in the first quarter of 2019, at a \$1.7 million discount. This was partially offset by a decrease in Preferred Stock dividends, as Preferred Stock dividends to our Insurance segment are eliminated in consolidation.

Segment Results of Operations

In the Company's Condensed Consolidated Financial Statements, other operating (income) expense includes (i) (gain) loss on sale or disposal of assets, (ii) lease termination costs, (iii) asset impairment expense and (iv) FCC reimbursements. Each table summarizes the results of operations of our operating segments and compares the amount of the change between the periods presented (in millions).

Construction Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue	\$ 168.4	\$ 195.3	\$ (26.9)	\$ 556.2	\$ 531.2	\$ 25.0
Cost of revenue	130.8	166.5	(35.7)	448.9	451.3	(2.4)
Selling, general and administrative	21.3	15.2	6.1	61.3	44.8	16.5
Depreciation and amortization	3.9	1.9	2.0	11.8	5.0	6.8
Other operating (income)	—	(0.8)	0.8	(0.1)	(0.2)	0.1
Income from operations	\$ 12.4	\$ 12.5	\$ (0.1)	\$ 34.3	\$ 30.3	\$ 4.0

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net revenue: Net revenue from our Construction segment for the three months ended September 30, 2019 decreased \$26.9 million to \$168.4 million from \$195.3 million for the three months ended September 30, 2018. The decrease was primarily driven by a decline in revenue from our structural steel fabrication and erection business, which had increased activity in the comparable period on certain large commercial projects that are now at or near completion in the current period. This was partially offset by new revenues from DBMG's acquisition of GrayWolf, our industrial construction, maintenance and fabrication business, which was acquired late in the fourth quarter of 2018.

Net revenue from our Construction segment for the nine months ended September 30, 2019 increased \$25.0 million to \$556.2 million from \$531.2 million for the nine months ended September 30, 2018. The increase was primarily driven by DBMG's acquisition of GrayWolf, which was acquired late in the fourth quarter of 2018, and from higher revenues from our construction modeling and detailing business as a result of an increase in project work. This was partially offset by lower revenues from our structural steel fabrication and erection business, which had increased activity in the comparable period on certain large commercial construction projects that are now at or near completion in the current period.

Cost of revenue: Cost of revenue from our Construction segment for the three months ended September 30, 2019 decreased \$35.7 million to \$130.8 million from \$166.5 million for the three months ended September 30, 2018. Cost of revenue from our Construction segment for the nine months ended September 30, 2019 decreased \$2.4 million to \$448.9 million from \$451.3 million for the nine months ended September 30, 2018. The decreases were primarily driven by the timing of project activity on certain large commercial construction projects that are now at or near completion in the current period, partially offset by increases as a result of the acquisition of GrayWolf, which was acquired late in the fourth quarter of 2018.

Selling, general and administrative: Selling, general and administrative expenses from our Construction segment for the three months ended September 30, 2019 increased \$6.1 million to \$21.3 million from \$15.2 million for the three months ended September 30, 2018. Selling, general and administrative expenses from our Construction segment for the nine months ended September 30, 2019 increased \$16.5 million to \$61.3 million from \$44.8 million for the nine months ended September 30, 2018. The increases were primarily due to headcount-driven increases in salary and benefits as a result of the acquisition of GrayWolf, which was acquired late in the fourth quarter of 2018.

Depreciation and amortization: Depreciation and amortization from our Construction segment for the three months ended September 30, 2019 increased \$2.0 million to \$3.9 million from \$1.9 million for the three months ended September 30, 2018. Depreciation and amortization from our Construction segment for the nine months ended September 30, 2019 increased \$6.8 million to \$11.8 million from \$5.0 million for the nine months ended September 30, 2018. The increases were largely due to the additional amortization of intangible assets obtained in the acquisition of GrayWolf in the fourth quarter of 2018.

Marine Services Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue	\$ 48.2	\$ 44.8	\$ 3.4	\$ 130.0	\$ 149.9	\$ (19.9)
Cost of revenue	35.7	41.7	(6.0)	99.5	125.7	(26.2)
Selling, general and administrative	3.7	4.9	(1.2)	15.7	15.4	0.3
Depreciation and amortization	6.4	6.9	(0.5)	19.4	20.1	(0.7)
Other operating expense (income)	0.2	(0.2)	0.4	—	(2.8)	2.8
Income (loss) from operations	\$ 2.2	\$ (8.5)	\$ 10.7	\$ (4.6)	\$ (8.5)	\$ 3.9

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net revenue: Net revenue from our Marine Services segment for the three months ended September 30, 2019 increased \$3.4 million to \$48.2 million from \$44.8 million for the three months ended September 30, 2018. The increase was primarily driven by an increase in the scale of telecom cable installation projects over the comparable period, which was partially offset by a decrease in project work in the offshore renewables end markets.

Net revenue from our Marine Services segment for the nine months ended September 30, 2019 decreased \$19.9 million to \$130.0 million from \$149.9 million for the nine months ended September 30, 2018. The decrease in revenues was primarily driven by a decline in the number and scale of GMSL projects under execution across most of the company's service lines, including power cable repair and installation work in the offshore renewables, offshore power construction and telecom end markets due to fluctuations in backlog mix. Additionally, there was a decrease in telecom maintenance zone revenues attributed to a lower volume of cable repair work when compared to the prior year.

Cost of revenue: Cost of revenue from our Marine Services segment for the three months ended September 30, 2019 decreased \$6.0 million to \$35.7 million from \$41.7 million for the three months ended September 30, 2018. The decrease was primarily driven by higher than expected costs on a certain offshore power construction project in the comparable period that were unrepeatable as well as from a change in the mix of cable installation project work under execution, and decreases in unutilized vessel costs.

Cost of revenue from our Marine Services segment for the nine months ended September 30, 2019 decreased \$26.2 million to \$99.5 million from \$125.7 million for the nine months ended September 30, 2018. The decreases were primarily driven by the decreases in revenues, higher than expected costs on a certain offshore power construction project in the comparable period that were unrepeatable, and decreases in unutilized vessel costs.

Selling, general and administrative: Selling, general and administrative expenses from our Marine Services segment for the three months ended September 30, 2019 decreased \$1.2 million to \$3.7 million from \$4.9 million for the three months ended September 30, 2018. The decrease was primarily driven by a release of bad debt expense in the current period due to a favorable receivable settlement during the quarter, offset in part by increased professional fees primarily related to the ongoing strategic process.

Selling, general and administrative expenses from our Marine Services segment for the nine months ended September 30, 2019 increased \$0.3 million to \$15.7 million from \$15.4 million for the nine months ended September 30, 2018. The increases were primarily due to higher professional fees primarily related to the ongoing strategic process. This was mostly offset by a reversal of an accrual of bad debt expense in the current period due to a favorable receivable settlement during the quarter.

Other operating income: There was no Other operating income in the current period versus \$2.8 million for the nine months ended September 30, 2018 which was primarily driven by a gain on a sale of a vessel.

Energy Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue	\$ 8.7	\$ 4.6	\$ 4.1	\$ 19.3	\$ 16.2	\$ 3.1
Cost of revenue	5.1	2.7	2.4	11.6	8.4	3.2
Selling, general and administrative expenses	1.3	0.9	0.4	3.2	3.2	—
Depreciation and amortization	2.0	1.4	0.6	4.9	4.1	0.8
Other operating (income) expense	(0.1)	—	(0.1)	(0.1)	—	(0.1)
Income (loss) from operations	\$ 0.4	\$ (0.4)	\$ 0.8	\$ (0.3)	\$ 0.5	\$ (0.8)

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net revenue: Net revenue from our Energy segment for the three months ended September 30, 2019 increased \$4.1 million to \$8.7 million from \$4.6 million for the three months ended September 30, 2018. Net revenue from our Energy segment for the nine months ended September 30, 2019 increased \$3.1 million to \$19.3 million from \$16.2 million for the nine months ended September 30, 2018. The increases were primarily driven by higher volume-related revenues driven by the recent acquisition of the ampCNG stations and growth in CNG sales volumes across ANG's remaining fueling stations. The increases were partially offset by decreases in income recognized from renewable energy tax credits for the nine months ended September 30, 2019 related to the sale of RNG.

Cost of revenue: Cost of revenue from our Energy segment for the three months ended September 30, 2019 increased \$2.4 million to \$5.1 million from \$2.7 million for the three months ended September 30, 2018. Cost of revenue from our Energy segment for the nine months ended September 30, 2019 increased \$3.2 million to \$11.6 million from \$8.4 million for the nine months ended September 30, 2018. The increases were due to higher commodity and utility costs driven by the acquisition of ampCNG stations and the overall growth in volumes of gasoline gallons delivered, partially offset by a reduction in fueling station operating expenses versus the comparable period.

Selling, general and administrative: Selling, general and administrative expenses from our Energy segment for the three months ended September 30, 2019 increased \$0.4 million to \$1.3 million from \$0.9 million for the three months ended September 30, 2018. The increase was primarily due to headcount-driven increases in salary and benefits as a result of the acquisition of the ampCNG stations, which were acquired late in the second quarter of 2019.

Selling, general and administrative expenses from our Energy segment remained flat at \$3.2 million for the nine months ended September 30, 2019 and nine months ended September 30, 2018. Despite an increase due to headcount-driven increases in salary and benefits as a result of the acquisition of ampCNG stations, which were acquired late in the second quarter of 2019, the increase was offset by a one-time expense in the prior year related to the abandonment of a station development project.

Telecommunications Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue	\$ 162.2	\$ 187.8	\$ (25.6)	\$ 507.0	\$ 580.6	\$ (73.6)
Cost of revenue	159.8	184.1	(24.3)	498.5	569.5	(71.0)
Selling, general and administrative	1.8	2.3	(0.5)	6.4	7.5	(1.1)
Depreciation and amortization	0.1	0.1	—	0.3	0.2	0.1
Other operating expense	0.9	—	0.9	1.4	—	1.4
(Loss) income from operations	\$ (0.4)	\$ 1.3	\$ (1.7)	\$ 0.4	\$ 3.4	\$ (3.0)

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net revenue: Net revenue from our Telecommunications segment for the three months ended September 30, 2019 decreased \$25.6 million to \$162.2 million from \$187.8 million for the three months ended September 30, 2018. Net revenue from our Telecommunications segment for the nine months ended September 30, 2019 decreased \$73.6 million to \$507.0 million from \$580.6 million for the nine months ended September 30, 2018. The decreases can be attributed to changes in our customer mix, fluctuations in wholesale voice termination volumes and market pressures, which resulted in a decline in revenue contribution.

Cost of revenue: Cost of revenue from our Telecommunications segment for the three months ended September 30, 2019 decreased \$24.3 million to \$159.8 million from \$184.1 million for the three months ended September 30, 2018. Cost of revenue from our Telecommunications segment for the nine months ended September 30, 2019 decreased \$71.0 million to \$498.5 million from \$569.5 million for the nine months ended September 30, 2018. The decreases were directly correlated to the fluctuations in wholesale voice termination volumes, in addition to a slight reduction in margin mix attributed to market pressures on call termination rates.

Selling, general and administrative: Selling, general and administrative expenses from our Telecommunications segment for the three months ended September 30, 2019 decreased \$0.5 million to \$1.8 million from \$2.3 million for the three months ended September 30, 2018. Selling, general and administrative expenses from our Telecommunications segment for the nine months ended September 30, 2019 decreased \$1.1 million to \$6.4 million from \$7.5 million for the nine months ended September 30, 2018. The decreases were primarily due to a decrease in compensation expense due to headcount decreases, reductions in professional fees incurred and reductions in bad debt expense.

Other operating expense: Other operating expense from our Telecommunications segment for the three months ended September 30, 2019 increased \$0.9 million to expense of \$0.9 million from zero for the three months ended September 30, 2018. Other operating expense from our Telecommunications segment for the nine months ended September 30, 2019 increased \$1.4 million to expense of \$1.4 million from zero for the nine months ended September 30, 2018. The increases in expense were driven by impairment of goodwill as a result of declining performance at the segment.

Insurance Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Life, accident and health earned premiums, net	\$ 28.8	\$ 25.4	\$ 3.4	\$ 88.7	\$ 65.3	\$ 23.4
Net investment income	53.5	31.7	21.8	159.0	68.8	90.2
Net realized and unrealized (losses) gains on investments	(1.9)	20.1	(22.0)	3.6	27.0	(23.4)
Net revenue	80.4	77.2	3.2	251.3	161.1	90.2
Policy benefits, changes in reserves, and commissions	66.1	66.4	(0.3)	166.8	134.0	32.8
Selling, general and administrative	9.4	8.1	1.3	26.8	19.7	7.1
Depreciation and amortization	(5.7)	(4.8)	(0.9)	(18.2)	(7.1)	(11.1)
Income from operations ⁽¹⁾	\$ 10.6	\$ 7.5	\$ 3.1	\$ 75.9	\$ 14.5	\$ 61.4

⁽¹⁾ The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and nine months ended September 30, 2019 and 2018. Such adjustments are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Life, accident and health earned premiums, net: Life, accident and health earned premiums, net from our Insurance segment for the three months ended September 30, 2019 increased \$3.4 million to \$28.8 million from \$25.4 million for the three months ended September 30, 2018. Life, accident and health earned premiums, net from our Insurance segment for the nine months ended September 30, 2019 increased \$23.4 million to \$88.7 million from \$65.3 million for the nine months ended September 30, 2018. The increases were primarily due to the premiums generated, net of reinsurance, from the acquisition of KIC in August 2018.

Net investment income: Net investment income from our Insurance segment for the three months ended September 30, 2019 increased \$21.8 million to \$53.5 million from \$31.7 million for the three months ended September 30, 2018. Net investment income from our Insurance segment for the nine months ended September 30, 2019 increased \$90.2 million to \$159.0 million from \$68.8 million for the nine months ended September 30, 2018. The increases in net investment income were primarily due to the income generated from the assets acquired in the KIC acquisition, higher average invested assets as a result of the reinvestment of premiums and investment income received, and, to a lesser extent, rotation into additional fixed rate assets

Net realized and unrealized (losses) gains on investments: Net realized and unrealized (losses) gains on investments from our Insurance segment for the three months ended September 30, 2019 decreased \$22.0 million to a loss of \$1.9 million from income of \$20.1 million for the three months ended September 30, 2018. Net realized and unrealized (losses) gains on investments from our Insurance segment for the nine months ended September 30, 2019 decreased \$23.4 million to income of \$3.6 million from \$27.0 million for the nine months ended September 30, 2018. The decreases were predominantly driven by gains recorded in the comparable period on our investment in Inseego Corporation.

Policy benefits, changes in reserves, and commissions: Policy benefits, changes in reserves, and commissions from our Insurance segment for the nine months ended September 30, 2019 increased \$32.8 million to \$166.8 million from \$134.0 million for the nine months ended September 30, 2018. The increase was primarily driven by KIC, which generated policy benefits, changes in reserves, and commissions in the current year but was not present in the prior period due to the timing of the acquisition in August 2018. This was partially offset by current period reserve releases driven by higher mortality and policy terminations, an increase in contingent non-forfeiture option activity as a result of in-force rate actions approved and implemented, and favorable developments in claim incidences and termination rates and estimates of benefits on open claims.

Selling, general and administrative: Selling, general and administrative expenses from our Insurance segment for the three months ended September 30, 2019 increased \$1.3 million to \$9.4 million from \$8.1 million for the three months ended September 30, 2018. Selling, general and administrative expenses from our Insurance segment for the nine months ended September 30, 2019 increased \$7.1 million to \$26.8 million from \$19.7 million for the nine months ended September 30, 2018. The increases were driven by increases in headcount, legal, consulting, and transition service agreement fees associated with the acquisition of KIC.

Depreciation and amortization: Depreciation and amortization from our Insurance segment for the three months ended September 30, 2019 increased \$0.9 million to \$5.7 million from \$4.8 million for the three months ended September 30, 2018. Depreciation and amortization from our Insurance segment for the nine months ended September 30, 2019 increased \$11.1 million to \$18.2 million from \$7.1 million for the nine months ended September 30, 2018. The increases were driven by the increase in negative VOBA amortization largely due to the KIC acquisition. Amortization of negative VOBA reflects an increase to net income.

Life Sciences Segment

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Selling, general and administrative	\$ 3.0	\$ 2.2	\$ 0.8	\$ 6.4	\$ 11.9	\$ (5.5)
Depreciation and amortization	—	—	—	0.1	0.1	—
Other operating income	—	—	—	0.1	—	0.1
Loss from operations	\$ (3.0)	\$ (2.2)	\$ (0.8)	\$ (6.6)	\$ (12.0)	\$ 5.4

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Selling, general and administrative: Selling, general and administrative expenses from our Life Sciences segment for the three months ended September 30, 2019 increased \$0.8 million to \$3.0 million from \$2.2 million for the three months ended September 30, 2018. The increase was primarily driven by R2 Dermatology, which recently received funding through an equity investment. The proceeds are being utilized to ramp research and development expenses for the next phase of product development. In the comparable period, clinical and research and development costs had been reduced as R2 was in-between development activities.

Selling, general and administrative expenses from our Life Sciences segment for the nine months ended September 30, 2019 decreased \$5.5 million to \$6.4 million from \$11.9 million for the nine months ended September 30, 2018. The decrease was driven by comparably fewer expenses at the Pansend holding company, which incurred additional compensation expense in the prior period related to the performance of the segment, a reduction in costs associated with the sale of BeneVir in the second quarter of 2018, and a reduction in losses related to R2 attributed to the timing of clinical and research and development costs.

Broadcasting

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net revenue	\$ 10.0	\$ 12.0	\$ (2.0)	\$ 29.8	\$ 33.7	\$ (3.9)
Cost of revenue	5.6	7.5	(1.9)	17.4	21.4	(4.0)
Selling, general and administrative	7.4	9.1	(1.7)	19.4	31.3	(11.9)
Depreciation and amortization	1.8	0.7	1.1	4.7	2.3	2.4
Other operating (income) expense	(1.0)	—	(1.0)	(2.9)	0.1	(3.0)
Loss from operations	\$ (3.8)	\$ (5.3)	\$ 1.5	\$ (8.8)	\$ (21.4)	\$ 12.6

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net revenue: Net revenue from our Broadcasting segment for the three months ended September 30, 2019 decreased \$2.0 million to \$10.0 million from \$12.0 million for the three months ended September 30, 2018. Net revenue from our Broadcasting segment for the nine months ended September 30, 2019 decreased \$3.9 million to \$29.8 million from \$33.7 million for the nine months ended September 30, 2018. During the second half of 2018, the Broadcasting segment undertook targeted cost cutting measures, primarily at HC2 Network Inc. ("Network") where we exited certain local business operations and made strategic changes to the programming mix. The decreases in net revenue were primarily due to lower local advertising sales as a result of such restructuring efforts.

Cost of revenue: Cost of revenue from our Broadcasting segment for the three months ended September 30, 2019 decreased \$1.9 million to \$5.6 million from \$7.5 million for the three months ended September 30, 2018. Cost of revenue from our Broadcasting segment for the nine months ended September 30, 2019 decreased \$4.0 million to \$17.4 million from \$21.4 million for the nine months ended September 30, 2018. The decreases were primarily driven by a reduction in audience measurement costs as a result of the exit of certain local operations and a decrease in programming costs due to changes in the programming mix, partially offset by higher cost of revenues associated with stations acquired subsequent to the comparable period.

Selling, general and administrative: Selling, general and administrative expenses from our Broadcasting segment for the three months ended September 30, 2019 decreased \$1.7 million to \$7.4 million from \$9.1 million for the three months ended September 30, 2018. Selling, general and administrative expenses from our Broadcasting segment for the nine months ended September 30, 2019 decreased \$11.9 million to \$19.4 million from \$31.3 million for the nine months ended September 30, 2018. The decreases in selling, general and administrative expenses were primarily due to a reduction at Network, mainly driven by the cost cutting measures discussed above that resulted in lower personnel, occupancy, advertising and other general administrative costs. There were further decreases in selling, general and administrative expenses across the segment due to a reduction in legal expenses from elevated acquisition-related expenses incurred in the prior period. Partially offsetting these decreases were increases in salaries and benefits and occupancy expenses to support the expansion and growth of the national broadcasting platform, as well as research and development costs associated with OTA technology in development.

Depreciation and amortization: Depreciation and amortization from our Broadcasting segment for the three months ended September 30, 2019 increased \$1.1 million to \$1.8 million from \$0.7 million for the three months ended September 30, 2018. Depreciation and amortization from our Broadcasting segment for the nine months ended September 30, 2019 increased \$2.4 million to \$4.7 million from \$2.3 million for the nine months ended September 30, 2018. The increases were driven by additional amortization of fixed assets and definite lived intangible assets which were acquired as part of transactions subsequent to the comparable period.

Other operating (income) expense: Other operating (income) expense from our Broadcasting segment for the three months ended September 30, 2019 increased \$1.0 million to income of \$1.0 million from zero for the three months ended September 30, 2018. Other operating (income) expense from our Broadcasting segment for the nine months ended September 30, 2019 increased \$3.0 million to income of \$2.9 million from expense \$0.1 million for the nine months ended September 30, 2018. The increases were driven by reimbursements from the Federal Communications Commission (the "FCC"). The FCC requires certain television stations to change channels and/or modify their transmission facilities. The U.S. Congress passed legislation which provides the FCC with a fund to reimburse all reasonable costs incurred by stations operating under full power and Class A licenses and a portion of the costs incurred by stations operating under a low power license that are reassigned to new channels.

Non-operating Corporate

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Selling, general and administrative	\$ 6.5	\$ 7.6	\$ (1.1)	\$ 20.2	\$ 23.3	\$ (3.1)
Depreciation and amortization	0.1	—	0.1	0.1	0.1	—
Loss from operations	\$ (6.6)	\$ (7.6)	\$ 1.0	\$ (20.3)	\$ (23.4)	\$ 3.1

Selling, general and administrative: Selling, general and administrative expenses from our Non-operating Corporate segment for the three months ended September 30, 2019 decreased \$1.1 million to \$6.5 million from \$7.6 million for the three months ended September 30, 2018. Selling, general and administrative expenses from our Non-operating Corporate segment for the nine months ended September 30, 2019 decreased \$3.1 million to \$20.2 million from \$23.3 million for the nine months ended September 30, 2018. The decreases were driven by reductions in professional service fees, bonus expense, and travel and entertainment, partially offset by an increase in employee wage and benefits expenses.

Income from Equity Investees

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Construction	\$ —	\$ —	\$ —	\$ —	\$ (0.1)	\$ 0.1
Marine Services	1.5	9.1	(7.6)	4.0	16.9	(12.9)
Life Sciences	(1.2)	(0.9)	(0.3)	(2.5)	(3.0)	0.5
Other	—	(0.1)	0.1	—	(0.1)	0.1
Income from equity investees	\$ 0.3	\$ 8.1	\$ (7.8)	\$ 1.5	\$ 13.7	\$ (12.2)

Marine Services: Income from equity investees within our Marine Services segment for the three months ended September 30, 2019 decreased \$7.6 million to \$1.5 million from \$9.1 million for the three months ended September 30, 2018. Income from equity investees within our Marine Services segment for the nine months ended September 30, 2019 decreased \$12.9 million to \$4.0 million from \$16.9 million for the nine months ended September 30, 2018. The decreases were principally driven by HMN due to lower revenues on large turnkey projects underway than in the comparable period. Further contributing to the reduction in income were losses at SBSS from lower vessel utilization.

Life Sciences: Loss from equity investees within our Life Sciences segment for the three months ended September 30, 2019 increased \$0.3 million to a loss of \$1.2 million from a loss of \$0.9 million for the three months ended September 30, 2018. The increase was largely due to higher equity method losses recorded from our investment in MediBeacon due to timing of clinical trials of the pre-pivotal study.

Loss from equity investees within our Life Sciences segment for the nine months ended September 30, 2019 decreased \$0.5 million to a loss of \$2.5 million from a loss of \$3.0 million for the nine months ended September 30, 2018. The decrease in loss is largely due to lower equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials and income from the licensing of select patents to third parties which did not occur in the comparable period.

Non-GAAP Financial Measures and Other Information

Adjusted EBITDA

Adjusted EBITDA is not a measurement recognized under U.S. GAAP. In addition, other companies may define Adjusted EBITDA differently than we do, which could limit its usefulness.

Management believes that Adjusted EBITDA provides investors with meaningful information for gaining an understanding of our 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-U.S. GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our U.S. GAAP financial results. Using Adjusted EBITDA as a performance measure has inherent limitations as an analytical tool as compared to net income (loss) or other U.S. GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance. Adjusted EBITDA excludes the results of operations and any consolidating eliminations of our Insurance segment.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) as adjusted for depreciation and amortization; amortization of equity method fair value adjustments at acquisition; Other operating (income) expense, which is inclusive of (gain) loss on sale or disposal of assets, lease termination costs, asset impairment expense, and FCC reimbursements; interest expense; net gain (loss) on contingent consideration; loss on early extinguishment or restructuring of debt; gain (loss) on sale of subsidiaries; other (income) expense, net; foreign currency transaction (gain) loss included in cost of revenue; income tax (benefit) expense; noncontrolling interest; bonus to be settled in equity; share-based compensation expense; non-recurring items; and acquisition and disposition costs.

(in millions)

	Three Months Ended September 30, 2019									
	Core Operating Subsidiaries				Early Stage & Other				Non-operating Corporate	Total HC2
	Construction	Marine Services	Energy	Telecom	Life Sciences	Broadcasting	Other & Elimination			
Net Loss attributable to HC2 Holdings, Inc.										\$ (7.1)
<i>Less: Net Income attributable to HC2 Holdings Insurance segment</i>										10.5
<i>Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment</i>										(2.1)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$ 7.0	\$ 2.6	\$ (0.1)	\$ (0.3)	\$ 5.6	\$ (6.2)	\$ (0.2)	\$ (23.9)	\$ (15.5)	
Adjustments to reconcile net income (loss) to Adjusted EBITDA:										
Depreciation and amortization	3.9	6.4	2.0	0.1	—	1.8	—	0.1	14.3	
Depreciation and amortization (included in cost of revenue)	2.2	—	—	—	—	—	—	—	2.2	
Amortization of equity method fair value adjustment at acquisition	—	(0.4)	—	—	—	—	—	—	(0.4)	
Other operating (income) expense	—	0.2	(0.2)	0.8	—	(0.8)	—	—	—	
Gain on sale and deconsolidation of subsidiary	—	—	—	—	—	—	—	—	—	
Interest expense	2.3	1.2	1.0	—	—	2.4	—	17.1	24.0	
Other (income) expense, net	(0.1)	(1.1)	(0.3)	—	(8.2)	0.9	0.2	2.9	(5.7)	
Loss on early extinguishment or restructuring of debt	—	—	—	—	—	—	—	—	—	
Net loss on contingent consideration	—	—	—	(0.1)	—	—	—	—	(0.1)	
Foreign currency (gain) loss (included in cost of revenue)	—	0.1	—	0.1	—	—	—	—	0.2	
Income tax (benefit) expense	2.9	—	—	—	—	—	—	(2.8)	0.1	
Noncontrolling interest	0.5	0.9	(0.1)	—	(1.4)	(1.1)	—	—	(1.2)	
Bonus to be settled in equity	—	—	—	—	—	—	—	—	—	
Share-based payment expense	—	0.5	—	—	—	0.1	—	1.5	2.1	
Non-recurring items	—	—	—	—	—	—	—	—	—	
Acquisition and disposition costs	0.7	1.3	—	0.2	—	1.0	—	0.4	3.6	
Adjusted EBITDA	\$ 19.4	\$ 11.7	\$ 2.3	\$ 0.8	\$ (4.0)	\$ (1.9)	\$ —	\$ (4.7)	\$ 23.6	
Total Core Operating Subsidiaries	\$ 34.2									

(in millions)

Three Months Ended September 30, 2018

	Core Operating Subsidiaries									Early Stage & Other			Total HC2					
	Construction	Marine Services		Energy	Telecom	Life Sciences		Broadcasting	Other & Elimination	Non-operating Corporate								
Net Income attributable to HC2 Holdings, Inc.												\$	153.5					
<i>Less: Net Income attributable to HC2 Holdings Insurance segment</i>														141.1				
<i>Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment</i>														23.1				
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$	9.2	\$	(0.5)	\$	(0.6)	\$	1.3	\$	(2.6)	\$	(4.7)	\$	4.5	\$	(17.3)	\$	(10.7)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:																		
Depreciation and amortization		1.9		6.9		1.4		0.1		—		0.8		—		—		11.1
Depreciation and amortization (included in cost of revenue)		1.8		—		—		—		—		—		—		—		1.8
Amortization of equity method fair value adjustment at acquisition		—		(0.4)		—		—		—		—		—		—		(0.4)
Other operating (income) expense		(0.7)		(0.1)		—		—		—		—		—		—		(0.8)
Gain on sale and deconsolidation of subsidiary		—		—		—		—		—		(1.5)		—		—		(1.5)
Interest expense		0.6		1.2		0.4		—		—		0.5		—		14.6		17.3
Other (income) expense, net		(2.0)		(0.2)		0.1		—		—		0.4		(3.6)		1.5		(3.8)
Loss on early extinguishment or restructuring of debt		—		—		—		—		—		—		—		—		—
Net loss on contingent consideration		—		—		—		—		—		—		—		—		—
Foreign currency (gain) loss (included in cost of revenue)		—		0.2		—		—		—		—		—		—		0.2
Income tax (benefit) expense		3.8		0.1		—		—		—		—		—		(6.4)		(2.5)
Noncontrolling interest		0.8		—		(0.3)		—		(0.5)		(1.5)		(0.4)		—		(1.9)
Bonus to be settled in equity		—		—		—		—		—		—		—		0.2		0.2
Share-based payment expense		—		0.5		—		—		0.1		1.7		—		1.0		3.3
Non-recurring items		—		—		—		—		—		—		—		—		—
Acquisition and disposition costs		0.5		0.2		—		0.1		—		0.4		—		0.2		1.4
Adjusted EBITDA	\$	15.9	\$	7.9	\$	1.0	\$	1.5	\$	(3.0)	\$	(2.4)	\$	(1.0)	\$	(6.2)	\$	13.7

Total Core Operating Subsidiaries

\$ 26.3

Construction: Net income from our Construction segment for the three months ended September 30, 2019 decreased \$2.2 million to \$7.0 million from \$9.2 million for the three months ended September 30, 2018. Adjusted EBITDA from our Construction segment for the three months ended September 30, 2019 increased \$3.5 million to \$19.4 million from \$15.9 million for the three months ended September 30, 2018. The increase in Adjusted EBITDA was driven by gross profit contribution from the GrayWolf acquisition and an increase in project work in our construction modeling and detailing business. Despite the decrease in revenue in our structural steel fabrication and erection business, gross profit only decreased slightly, driven by strong project execution on certain commercial projects. This was partially offset by higher selling, general and administrative expense due primarily to the GrayWolf acquisition.

Marine Services: Net loss from our Marine Services segment for the three months ended September 30, 2019 decreased \$3.1 million to income of \$2.6 million from loss of \$0.5 million for the three months ended September 30, 2018. Adjusted EBITDA from our Marine Services segment for the three months ended September 30, 2019 increased \$3.8 million to \$11.7 million from \$7.9 million for the three months ended September 30, 2018. The increase in Adjusted EBITDA was driven by higher GMSL gross profit as a result of improved profitability from telecom maintenance zones and project work in the offshore power and offshore renewables end markets, as well as the benefit of improved vessel utilization. Additionally, the comparable period was impacted by higher than expected costs on a certain offshore power construction project that were not repeated in the current period. Partially offsetting these improvements was a decline in income from equity method investees, due in part to the timing of HMN turnkey project work.

Energy: Net loss from our Energy segment for the three months ended September 30, 2019 decreased by \$0.5 million to a loss of \$0.1 million from a loss of \$0.6 million for the three months ended September 30, 2018. Adjusted EBITDA from our Energy segment for the three months ended September 30, 2019 increased \$1.3 million to \$2.3 million from \$1.0 million for the three months ended September 30, 2018. The increase in Adjusted EBITDA was primarily driven by the recently acquired ampCNG stations and an increase in gross profit contribution from higher CNG sales volumes. The increases were partially offset by decreases in income recognized from renewable energy tax credits related to the sale of RNG, as well as increases in selling, general and administrative expenses as a result of the acquisition of the ampCNG stations.

Telecommunications: Net income from our Telecommunications segment for the three months ended September 30, 2019 decreased by \$1.6 million to a loss of \$0.3 million from income of \$1.3 million for the three months ended September 30, 2018. Adjusted EBITDA from our Telecommunications segment for the three months ended September 30, 2019 decreased \$0.7 million to \$0.8 million from \$1.5 million for the three months ended September 30, 2018. The decrease in Adjusted EBITDA was primarily due to both a decline in revenue and the contracting of call termination margin as a result of the continued decline in the international long distance market, partially offset by a decrease in compensation expense due to headcount decreases and reductions in bad debt expense.

Life Sciences: Net loss from our Life Sciences segment for the three months ended September 30, 2019 decreased \$8.2 million to income of \$5.6 million from a loss of \$2.6 million for the three months ended September 30, 2018. Adjusted EBITDA loss from our Life Sciences segment for the three months ended September 30, 2019 increased \$1.0 million to \$4.0 million from \$3.0 million for the three months ended September 30, 2018. The increase was primarily driven by R2 Dermatology, which recently received funding through an equity investment. The proceeds are being utilized to ramp research and development costs for the next phase of product development. In the comparable period, clinical and research and development costs had been reduced as R2 was in-between development activities.

Broadcasting: Net loss from our Broadcasting segment for the three months ended September 30, 2019 increased \$1.5 million to \$6.2 million from \$4.7 million for the three months ended September 30, 2018. Adjusted EBITDA loss from our Broadcasting segment for the three months ended September 30, 2019 decreased \$0.5 million to \$1.9 million from \$2.4 million for the three months ended September 30, 2018. The decrease in Adjusted EBITDA loss was primarily driven by the reduction in costs as the segment exited certain local markets which were unprofitable at Network, partially offset by higher expenses associated with the growth of the Broadcast stations subsequent to the comparable period as well as research and development costs associated with OTA technology in development.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the three months ended September 30, 2019 increased \$6.6 million to \$23.9 million from \$17.3 million for the three months ended September 30, 2018. Adjusted EBITDA loss from our Non-operating Corporate segment for the three months ended September 30, 2019 decreased \$1.5 million to \$4.7 million from \$6.2 million for the three months ended September 30, 2018. The decrease in Adjusted EBITDA loss was primarily attributable to reductions in bonus expense and professional fees.

(in millions)

	Nine Months Ended September 30, 2019									
	Core Operating Subsidiaries				Early Stage & Other				Non-operating Corporate	Total HC2
	Construction	Marine Services	Energy	Telecom	Life Sciences	Broadcasting	Other & Elimination			
Net Loss attributable to HC2 Holdings, Inc.										\$ (0.5)
Less: Net Income attributable to HC2 Holdings Insurance segment										74.6
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment										(7.6)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$ 18.0	\$ (1.9)	\$ (1.4)	\$ 0.7	\$ 1.6	\$ (14.1)	\$ (0.4)	\$ (70.0)	\$ (67.5)	
Adjustments to reconcile net income (loss) to Adjusted EBITDA:										
Depreciation and amortization	11.8	19.4	4.9	0.3	0.1	4.7	—	0.1	41.3	
Depreciation and amortization (included in cost of revenue)	6.7	—	—	—	—	—	—	—	6.7	
Amortization of equity method fair value adjustment at acquisition	—	(1.1)	—	—	—	—	—	—	(1.1)	
Other operating (income) expense	(0.1)	—	(0.1)	1.3	—	(2.7)	—	—	(1.6)	
Gain on sale and deconsolidation of subsidiary	—	—	—	—	—	—	—	—	—	
Interest expense	7.0	3.3	1.9	—	—	6.3	—	51.1	69.6	
Other (income) expense, net	0.1	(1.4)	(0.1)	—	(8.3)	1.3	0.4	3.9	(4.1)	
Loss on early extinguishment or restructuring of debt	—	—	—	—	—	—	—	—	—	
Net loss on contingent consideration	—	—	—	(0.3)	—	—	—	—	(0.3)	
Foreign currency (gain) loss (included in cost of revenue)	—	0.4	—	0.1	—	—	—	—	0.5	
Income tax (benefit) expense	8.0	0.1	—	—	—	0.1	—	(5.3)	2.9	
Noncontrolling interest	1.4	(0.7)	(0.7)	—	(2.2)	(2.7)	—	—	(4.9)	
Bonus to be settled in equity	—	—	—	—	—	—	—	—	—	
Share-based payment expense	—	1.3	—	—	0.1	0.5	—	4.0	5.9	
Non-recurring items	—	—	—	—	—	—	—	—	—	
Acquisition and disposition costs	2.0	2.0	0.1	0.3	—	1.3	—	1.0	6.7	
Adjusted EBITDA	\$ 54.9	\$ 21.4	\$ 4.6	\$ 2.4	\$ (8.7)	\$ (5.3)	\$ —	\$ (15.2)	\$ 54.1	
Total Core Operating Subsidiaries	\$ 83.3									

(in millions)

Nine Months Ended September 30, 2018

	Core Operating Subsidiaries									Non-operating Corporate	Total HC2
	Core Operating Subsidiaries				Early Stage & Other						
	Construction	Marine Services	Energy	Telecom	Life Sciences	Broadcasting	Other & Elimination				
Net Income attributable to HC2 Holdings, Inc.											\$ 173.8
<i>Less: Net Income attributable to HC2 Holdings Insurance segment</i>											142.9
<i>Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment</i>											19.0
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$ 20.1	\$ 4.1	\$ (0.6)	\$ 3.4	\$ 67.5	\$ (29.2)	\$ 3.8	\$ (57.2)	\$	\$	\$ 11.9
Adjustments to reconcile net income (loss) to Adjusted EBITDA:											
Depreciation and amortization	5.0	20.1	4.1	0.2	0.1	2.3	0.1	0.1			32.0
Depreciation and amortization (included in cost of revenue)	5.1	—	—	—	—	—	—	—			5.1
Amortization of equity method fair value adjustment at acquisition	—	(1.1)	—	—	—	—	—	—			(1.1)
Other operating (income) expenses	(0.3)	(2.8)	0.1	—	—	0.1	—	—			(2.9)
Gain on sale and deconsolidation of subsidiary	—	—	—	—	(102.1)	—	(1.6)	—			(103.7)
Interest expense	1.5	3.7	1.2	—	—	7.7	—	39.8			53.9
Other (income) expense, net	(1.9)	(1.3)	0.2	—	0.1	0.4	(3.4)	1.0			(4.9)
Loss on early extinguishment or restructuring of debt	—	—	—	—	—	2.5	—	—			2.5
Net loss on contingent consideration	—	—	—	—	—	—	—	—			—
Foreign currency (gain) loss (included in cost of revenue)	—	(0.4)	—	—	—	—	—	—			(0.4)
Income tax (benefit) expense	9.0	0.2	—	—	—	—	(0.3)	(7.0)			1.9
Noncontrolling interest	1.6	1.7	(0.3)	—	19.5	(2.8)	(1.1)	—			18.6
Bonus to be settled in equity	—	—	—	—	—	—	—	0.5			0.5
Share-based payment expense	—	1.4	—	—	0.2	2.3	0.3	3.9			8.1
Non-recurring items	—	—	—	—	—	—	—	—			—
Acquisition and disposition costs	1.4	0.2	—	0.2	2.5	3.0	—	0.6			7.9
Adjusted EBITDA	\$ 41.5	\$ 25.8	\$ 4.7	\$ 3.8	\$ (12.2)	\$ (13.7)	\$ (2.2)	\$ (18.3)	\$	\$	\$ 29.4
Total Core Operating Subsidiaries	\$ 75.8										

Construction: Net income from our Construction segment for the nine months ended September 30, 2019 decreased \$2.1 million to \$18.0 million from \$20.1 million for the nine months ended September 30, 2018. Adjusted EBITDA from our Construction segment for the nine months ended September 30, 2019 increased \$13.4 million to \$54.9 million from \$41.5 million for the nine months ended September 30, 2018. The increase in Adjusted EBITDA was driven by higher gross profit contribution from our structural steel fabrication and erection business attributable to strong commercial project execution and new gross profit contribution from the GrayWolf acquisition. These increases were partially offset by higher selling, general and administrative expense, which is primarily attributable to the GrayWolf acquisition.

Marine Services: Net income from our Marine Services segment for the nine months ended September 30, 2019 decreased \$6.0 million to a loss of \$1.9 million from income of \$4.1 million for the nine months ended September 30, 2018. Adjusted EBITDA from our Marine Services segment for the nine months ended September 30, 2019 decreased \$4.4 million to \$21.4 million from \$25.8 million for the nine months ended September 30, 2018. The decrease in Adjusted EBITDA was driven by a decline in income from equity method investees, due in part to the timing of HMN turnkey project work and a loss recorded at SBSS in the current period attributable to lower vessel utilization. These decreases in income were partially offset in part by increased GMSL gross profit contribution, attributable to both improved project profitability and a reduction in unutilized vessel costs, as well as from a reduction in overhead expenses and a reversal of a bad debt expense due to a favorable receivable settlement during the quarter.

Energy: Net loss from our Energy segment for the nine months ended September 30, 2019 increased \$0.8 million to \$1.4 million from \$0.6 million for the nine months ended September 30, 2018. Adjusted EBITDA from our Energy segment for the nine months ended September 30, 2019 decreased \$0.1 million to \$4.6 million from \$4.7 million for the nine months ended September 30, 2018. The slight decrease was primarily driven by the AFETC revenue recognized in the second quarter of 2018 which was not present in the current period, decreases in income recognized from renewable energy tax credits related to the sale of RNG, and increases in selling, general and administrative expenses due to headcount-driven increases in salary and benefits as a result of the acquisition of ampCNG stations. Offsetting these decreases were increases in gross profit driven by the ampCNG stations, which were acquired in June 2019, as well as increases in profit contribution across the remaining ANG stations due primarily to higher CNG sales volumes and reductions in bad debt expense associated with two station abandonments in the comparable period.

Telecommunications: Net income from our Telecommunications segment for the nine months ended September 30, 2019 decreased \$2.7 million to \$0.7 million from \$3.4 million for the nine months ended September 30, 2018. Adjusted EBITDA from our Telecommunications segment for the nine months ended September 30, 2019 decreased \$1.4 million to \$2.4 million from \$3.8 million for the nine months ended September 30, 2018. The decrease in Adjusted EBITDA was primarily due to both a decline in revenue and the contracting of call termination margin as a result of the continued decline in the international long distance market, partially offset by a decrease in compensation expense due to headcount decreases and reductions in professional fees and bad debt expense.

Life Sciences: Net income from our Life Sciences segment for the nine months ended September 30, 2019 decreased \$65.9 million to \$1.6 million from \$67.5 million for the nine months ended September 30, 2018. Adjusted EBITDA loss from our Life Sciences segment for the nine months ended September 30, 2019 decreased \$3.5 million to \$8.7 million from \$12.2 million for the nine months ended September 30, 2018. The decrease in Adjusted EBITDA loss was primarily driven by comparably fewer expenses at the Pansend holding company, which incurred additional compensation expense related to the performance of the segment in the prior period, and reductions in losses related to BeneVir, which was sold in the second quarter of 2018. Further, there were increases in losses at the MediBeacon equity investment, driven by timing of clinical trials and income from the licensing of select patents to third parties.

Broadcasting: Net loss from our Broadcasting segment for the nine months ended September 30, 2019 decreased \$15.1 million to \$14.1 million from \$29.2 million for the nine months ended September 30, 2018. Adjusted EBITDA loss from our Broadcasting segment for the nine months ended September 30, 2019 decreased \$8.4 million to \$5.3 million from \$13.7 million for the nine months ended September 30, 2018. The decrease in Adjusted EBITDA loss was primarily driven by the reduction in costs as the segment exited certain local markets which were unprofitable at Network, partially offset by higher overhead expenses associated with the growth of the Broadcast stations subsequent to the prior year as well as research and development costs associated with OTA technology in development.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the nine months ended September 30, 2019 increased \$12.8 million to \$70.0 million from \$57.2 million for the nine months ended September 30, 2018. Adjusted EBITDA loss from our Non-operating Corporate segment for the nine months ended September 30, 2019 decreased \$3.1 million to \$15.2 million from \$18.3 million for the nine months ended September 30, 2018. The decrease in Adjusted EBITDA loss was driven by reductions in professional service fees, bonus expense, and travel and entertainment, partially offset by an increase in employee wage and benefits expenses.

(in millions):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Construction	\$ 19.4	\$ 15.9	\$ 3.5	\$ 54.9	\$ 41.5	\$ 13.4
Marine Services	11.7	7.9	3.8	21.4	25.8	(4.4)
Energy	2.3	1.0	1.3	4.6	4.7	(0.1)
Telecommunications	0.8	1.5	(0.7)	2.4	3.8	(1.4)
Total Core Operating Subsidiaries	34.2	26.3	7.9	83.3	75.8	7.5
Life Sciences	(4.0)	(3.0)	(1.0)	(8.7)	(12.2)	3.5
Broadcasting	(1.9)	(2.4)	0.5	(5.3)	(13.7)	8.4
Other and Eliminations	—	(1.0)	1.0	—	(2.2)	2.2
Total Early Stage and Other	(5.9)	(6.4)	0.5	(14.0)	(28.1)	14.1
Non-Operating Corporate	(4.7)	(6.2)	1.5	(15.2)	(18.3)	3.1
Adjusted EBITDA	\$ 23.6	\$ 13.7	\$ 9.9	\$ 54.1	\$ 29.4	\$ 24.7

Adjusted Operating Income - Insurance

Adjusted Operating Income ("Insurance AOI") and Pre-tax Adjusted Operating Income ("Pre-tax Insurance AOI") for the Insurance segment are non-U.S. GAAP financial measures frequently used throughout the insurance industry and are economic measures the Insurance segment uses to evaluate its financial performance. Management believes that Insurance AOI and Pre-tax Insurance AOI measures provide investors with meaningful information for gaining an understanding of certain results and provide insight into an organization's operating trends and facilitates comparisons between peer companies. However, Insurance AOI and Pre-tax Insurance AOI have certain limitations, and we may not calculate it the same as other companies in our industry. It should, therefore, be read together with the Company's results calculated in accordance with U.S. GAAP.

Similarly to Adjusted EBITDA, using Insurance AOI and Pre-tax Insurance AOI as performance measures have inherent limitations as an analytical tool as compared to income (loss) from operations or other U.S. GAAP financial measures, as these non-U.S. GAAP measures exclude certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Insurance AOI and Pre-tax Insurance AOI should not be considered in isolation and do not purport to be an alternative to income (loss) from operations or other U.S. GAAP financial measures as measures of our operating performance.

Management defines Insurance AOI as Net income (loss) for the Insurance segment adjusted to exclude the impact of net investment gains (losses), including OTTI losses recognized in operations; asset impairment; intercompany elimination; bargain purchase gains, reinsurance gain; and acquisition costs. Management defines Pre-tax Insurance AOI as Insurance AOI adjusted to exclude the impact of income tax (benefit) expense recognized during the current period. Management believes that Insurance AOI and Pre-tax Insurance AOI provide meaningful financial metrics that help investors understand certain results and profitability. While these adjustments are an integral part of the overall performance of the Insurance segment, market conditions impacting these items can overshadow the underlying performance of the business. Accordingly, we believe using a measure which excludes their impact is effective in analyzing the trends of our operations.

The table below shows the adjustments made to the reported Net income of the Insurance segment to calculate Insurance AOI and Pre-tax Insurance AOI (in millions). Refer to the analysis of the fluctuations within the results of operations section:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Increase / (Decrease)	2019	2018	Increase / (Decrease)
Net income - Insurance segment	\$ 10.5	\$ 141.1	\$ (130.6)	\$ 74.6	\$ 142.9	\$ (68.3)
Effect of investment (gains) ⁽¹⁾	1.9	(20.1)	22.0	(3.6)	(27.1)	23.5
Bargain purchase gain	—	(109.1)	109.1	(1.1)	(109.1)	108.0
Reinsurance gain	—	(17.8)	17.8	—	(17.8)	17.8
Acquisition costs	0.2	1.3	(1.1)	2.0	2.4	(0.4)
Insurance AOI	12.6	(4.6)	17.2	71.9	(8.7)	80.6
Income tax expense (benefit)	0.9	(6.7)	7.6	3.3	—	3.3
Pre-tax Insurance AOI	\$ 13.5	\$ (11.3)	\$ 24.8	\$ 75.2	\$ (8.7)	\$ 83.9

⁽¹⁾ The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and nine months ended September 30, 2019 and 2018. Such adjustments are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

Net income for the three months ended September 30, 2019 decreased \$130.6 million to \$10.5 million from \$141.1 million for the three months ended September 30, 2018. Net income for the nine months ended September 30, 2019 decreased \$68.3 million to \$74.6 million from \$142.9 million for the nine months ended September 30, 2018.

Pre-tax Insurance AOI for the three months ended September 30, 2019 increased \$24.8 million to income of \$13.5 million, as compared to a loss of \$11.3 million for three months ended September 30, 2018. Pre-tax Insurance AOI for the nine months ended September 30, 2019 increased \$83.9 million to Pre-tax Insurance AOI income of \$75.2 million, as compared to a Pre-tax Insurance AOI loss of \$8.7 million for nine months ended September 30, 2018. The increase was primarily driven by the incremental net investment income and policy premiums from the KIC block acquisition and higher net investment income from the legacy CGI block driven by both the growth and mix of the investment portfolio, including premium reinvestment and rotation into higher yield assets. In addition, there was a decrease in policy benefits, changes in reserves, and commissions related to current period reserve adjustments driven by higher mortality and policy terminations, an increase in contingent non-forfeiture option activity as a result of in-force rate actions approved and implemented, and favorable developments in claims activity. This was partially offset by an increase in selling, general and administrative expenses, primarily attributable to headcount additions related to the KIC acquisition.

Backlog

Projects in backlog consist of awarded contracts, letters of intent, notices to proceed, change orders, and purchase orders obtained. Backlog increases as contract commitments are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts. Backlog is converted to sales in future periods as work is performed or projects are completed. Backlog can be significantly affected by the receipt or loss of individual contracts.

Construction Segment

At September 30, 2019, DBMG's backlog was \$475.3 million, consisting of \$354.0 million under contracts or purchase orders and \$121.3 million under letters of intent or notices to proceed. Approximately \$147.6 million, representing 31.0% of DBMG's backlog at September 30, 2019, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more of these projects terminate or reduce their scope, DBMG's backlog could decrease substantially.

Marine Services Segment

At September 30, 2019, GMSL's backlog stood at \$398.7 million, inclusive of \$311.9 million of signed contracts and customer-approved change orders and \$86.8 million of letters of intent and on-site repair estimates associated with its long-term maintenance contracts. Approximately \$295.6 million, representing 74.1% of GMSL's backlog at September 30, 2019, was attributable to three multi-year telecom maintenance contracts which will naturally burn through to revenue as the contracts run off. GMSL's reported backlog may not be converted to revenue in any particular period and actual revenue may not equal its backlog. Therefore, GMSL's backlog may not be indicative of the level of its future revenues.

Liquidity and Capital Resources

Short- and Long-Term Liquidity Considerations and Risks

HC2 is a holding company and its liquidity needs are primarily for interest payments on its Senior Secured Notes, Convertible Notes, and its Revolving Credit Agreement (as defined below), dividend payments on its Preferred Stock and recurring operational expenses.

As of September 30, 2019, the Company had \$276.9 million of cash and cash equivalents compared to \$325.0 million as of December 31, 2018. On a stand-alone basis, as of September 30, 2019, HC2 had cash and cash equivalents of \$7.7 million compared to \$6.5 million at December 31, 2018. At September 30, 2019, cash and cash equivalents in our Insurance segment was \$196.6 million compared to \$283.3 million at December 31, 2018.

Our subsidiaries' principal liquidity requirements arise from cash used in operating activities, debt service, and capital expenditures, including purchases of steel construction equipment and subsea cable equipment, fueling stations, network equipment (such as switches, related transmission equipment and capacity), and service infrastructure, liabilities associated with insurance products, development of back-office systems, operating costs and expenses, and income taxes.

As of September 30, 2019, the Company had \$851.0 million of indebtedness on a consolidated basis compared to \$781.0 million as of December 31, 2018. On a stand-alone basis, as of September 30, 2019 and December 31, 2018, HC2 had indebtedness of \$540.0 million and \$525.0 million, respectively.

HC2's stand-alone debt consists of the \$470.0 million aggregate principal amount of 11.5% senior secured notes due 2021 (the "Senior Secured Notes"), the \$55.0 million aggregate principal amount of 7.5% convertible senior notes due 2022 (the "Convertible Notes"), and the 6.75% plus LIBOR \$15.0 million secured revolving credit agreement ("Revolving Credit Agreement"), fully drawn. HC2 is required to make semi-annual interest payments on its Senior Secured Notes and Convertible Notes, and quarterly interest payments on its Revolving Credit Agreement.

HC2 is required to make dividend payments on its outstanding Preferred Stock on January 15th, April 15th, July 15th, and October 15th of each year.

HC2 received \$13.5 million in dividends from its Construction segment during the nine months ended September 30, 2019.

HC2 received \$4.3 million in dividends from its Telecommunications segment during the nine months ended September 30, 2019, respectively.

HC2 received \$2.6 million and \$7.4 million in net management fees during the three and nine months ended September 30, 2019, respectively, related to fees earned in the fourth quarter of 2018 and first half of 2019.

We have financed our growth and operations to date, and expect to finance our future growth and operations, through public offerings and private placements of debt and equity securities, credit facilities, vendor financing, capital lease financing and other financing arrangements, as well as cash generated from the operations of our subsidiaries. We may also choose to sell assets or certain investments to generate cash.

At this time, we believe that we will be able to continue to meet our liquidity requirements and fund our fixed obligations (such as debt service and operating leases) and other cash needs for our operations for at least the next twelve months through a combination of distributions from our subsidiaries and from raising of additional debt or equity, refinancing of certain of our indebtedness or preferred stock, other financing arrangements and/or the sale of assets and certain investments. Historically, we have chosen to reinvest cash and receivables into the growth of our various businesses, and therefore have not kept a large amount of cash on hand at the holding company level, a practice which we expect to continue in the future. The ability of HC2's subsidiaries to make distributions to HC2 is subject to numerous factors, including restrictions contained in each subsidiary's financing agreements, regulatory requirements, availability of sufficient funds at each subsidiary and the approval of such payment by each 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 each subsidiary's board of directors considers relevant. Our ability to sell assets and certain of our investments to meet our existing financing needs may also be limited by our existing financing instruments. Although the Company believes that it will be able to raise additional equity capital, refinance indebtedness or preferred stock, enter into other financing arrangements or engage in asset sales and sales of certain investments sufficient to fund any cash needs that we are not able to satisfy with the funds expected to be provided by our subsidiaries, there can be no assurance that it will be able to do so on terms satisfactory to the Company if at all. Such financing options, if pursued, may also ultimately have the effect of negatively impacting our liquidity profile and prospects over the long-term. In addition, the sale of assets or the Company's investments may also make the Company less attractive to potential investors or future financing partners.

Indebtedness

See Note 13. Debt Obligations and Note 22. Subsequent Events, to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a description of our long-term debt.

Restrictive Covenants

The indenture governing the Senior Secured Notes dated November 20, 2018, by and among HC2, the guarantors party thereto and U.S. Bank National Association, a national banking association ("U.S. Bank"), as trustee (the "Secured Indenture"), contains certain affirmative and negative covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company'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.

The Company is also required to comply with certain financial maintenance covenants, which are similarly subject to a number of important exceptions and qualifications. These covenants include maintenance of (1) liquidity; (2) collateral coverage; (3) secured net leverage ratio; and (4) fixed charge coverage ratio.

The maintenance of liquidity covenant provides that the Company will not permit the aggregate amount of (i) all unrestricted cash and Cash Equivalents of the Company and the Subsidiary Guarantors, (ii) amounts available for drawing under revolving credit facilities and undrawn letters of credit of the Company and the Subsidiary Guarantors and (iii) dividends, distributions or payments that are immediately available to be paid to the Company by any of its Restricted Subsidiaries to be less than the Company's obligation to pay interest on the Senior Secured Notes and all other Debt, including Convertible Preferred Stock mandatory cash dividends or any other mandatory cash pay Preferred Stock but excluding any obligation to pay interest on Convertible Preferred Stock or any other mandatory cash pay Preferred Stock which, in each case, may be paid by accretion or in-kind in accordance with its terms of the Company and its Subsidiary Guarantors for the next six months. As of September 30, 2019, the Company was in compliance with this covenant.

The maintenance of collateral coverage provides that the certain subsidiaries' Collateral Coverage Ratio (as defined in the Secured Indenture as the ratio of (i) the Loan Collateral to (ii) Consolidated Secured Debt (each as defined therein)) calculated on a pro forma basis as of the last day of each fiscal quarter may not be less than 1.50 to 1.00. As of September 30, 2019, the Company was in compliance with this covenant.

The maintenance of secured net leverage ratio provides that the Company's Secured Net Leverage Ratio (as defined in the Secured Indenture) as of any date of determination calculated on a pro forma basis after accounting for the net proceeds from any Asset Sale which the Company has determined to apply to the repayment of any Debt to exceed 7.75 to 1.00. As of September 30, 2019, the Company was in compliance with this covenant.

The maintenance of fixed charge coverage ratio provides that commencing with the fiscal year ending December 31, 2019, that the Company will not permit the Fixed Charge Coverage Ratio (as defined in the Secured Indenture) calculated as of the last day of each fiscal year of the Company to be less than 1.00 to 1.00 or that the Company's "HC2 Corporate Overhead" (as defined in the Secured Indenture) in any fiscal year not exceed the sum of \$29.0 million for such fiscal year.

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.

The Company intends to conduct its operations in a manner that will result in continued compliance with the Secured Indenture; however, compliance with certain financial covenants for future quarters may depend on the Company or one or more of the Company's subsidiaries undertaking one or more non-operational transactions, such as the management of operating cash outflows, a monetization of assets, a debt incurrence or refinancing, the raising of equity capital, or similar transactions. If the Company is unable to remain in compliance and does not make alternate arrangements, an event of default would occur under the Company's Secured Indenture which, among other remedies, could result in the outstanding obligations under the indenture becoming immediately due and payable and permitting the exercise of remedies with respect to the collateral. There is no assurance the Company will be able to complete any non-operational transaction it may undertake to maintain compliance with covenants under the Secured Indenture or, even if the Company completes any such transaction, that it will be able to maintain compliance for any subsequent period

Summary of Consolidated Cash Flows

The below table summarizes the cash provided by or (used in) our activities and the amount of the respective changes between the periods (in millions):

	Nine Months Ended September 30,		Increase / (Decrease)
	2019	2018	
Operating activities	\$ 95.5	\$ 136.7	\$ (41.2)
Investing activities	(201.5)	525.4	(726.9)
Financing activities	53.4	75.7	(22.3)
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.5)	1.1
Net change in cash, cash equivalents and restricted cash	\$ (52.0)	\$ 737.3	\$ (789.3)

Operating Activities

Cash provided by operating activities was \$95.5 million for the nine months ended September 30, 2019 as compared to \$136.7 million for the nine months ended September 30, 2018. The \$41.2 million decrease was the result of the recapture of reinsurance treaties by our Insurance segment in 2018 and was offset in part by improved performance of the Insurance segment subsequent to the KIC acquisition and the Broadcasting segment driven by the cost cutting measures, and an increase in the working capital at our Construction and Telecommunications segments.

Investing Activities

Cash used in investing activities was \$201.5 million for the nine months ended September 30, 2019 as compared to cash provided by investing activities of \$525.4 million for the nine months ended September 30, 2018. The \$726.9 million change was a result of cash received from the Insurance segment's acquisition of KIC and the Life Sciences segment's disposition of BeneVir in 2018. This was offset by a reduction in net cash used by the Insurance segment's purchases of investments.

Financing Activities

Cash provided by financing activities was \$53.4 million for the nine months ended September 30, 2019 as compared to \$75.7 million for the nine months ended September 30, 2018. The \$22.3 million decrease was a result of a decrease in net borrowings by the Construction and Broadcasting segments was offset in part by the increase in net borrowings by the Marine Services segment and a decline in cash paid to noncontrolling interest holders driven by the proceeds from our Life Sciences segment's sale of BeneVir in 2018.

Other Invested Assets

Carrying values of other invested assets were as follows (in millions):

	September 30, 2019		December 31, 2018	
	Measurement Alternative	Equity Method	Measurement Alternative	Equity Method
Common Equity	\$ —	\$ 2.3	\$ —	\$ 2.1
Preferred Equity	—	16.9	1.6	9.6
Other	—	65.2	—	59.2
Total	\$ —	\$ 84.4	\$ 1.6	\$ 70.9

Construction

Cash Flows

Cash flows from operating activities are the principal source of cash used to fund DBMG's operating expenses, interest payments on debt, and capital expenditures. DBMG's short-term cash needs are primarily for working capital to support operations including inventories, and other costs incurred in performing its contracts. DBMG attempts to structure the payment arrangements under its contracts to match costs incurred under the project. To the extent it is able to bill in advance of costs incurred, DBMG generates working capital through billings in excess of costs and recognized earnings on uncompleted contracts. DBMG relies on its credit facilities to meet its working capital needs. DBMG believes that its existing borrowing availability together with cash from operations will be adequate to meet all funding requirements for its operating expenses, interest payments on debt and capital expenditures for the foreseeable future.

DBMG is required to make monthly or quarterly interest payments on all of its debt. Based upon the September 30, 2019 debt balance, DBMG anticipates that its interest payments will be approximately \$1.7 million each quarter.

DBMG believes that its available funds, cash generated by operating activities and funds available under its bank credit facilities will be sufficient to fund its capital expenditures and its working capital needs. However, DBMG may expand its operations through future acquisitions and may require additional equity or debt financing.

Marine Services

Cash Flows

Cash flows from operating activities are the principal source of cash used to fund GMSL's operating expenses, interest payments on debt, and capital expenditures. GMSL's short-term cash needs are primarily for working capital to support operations including inventories, and other costs incurred in performing its contracts. GMSL attempts to structure the payment arrangements under its contracts to match costs incurred under the project. To the extent it is able to bill in advance of costs incurred, GMSL generates working capital through billings in excess of costs and recognized earnings on uncompleted contracts. GMSL believes that its existing borrowing availability together with cash from operations will be adequate to meet all funding requirements for its operating expenses, interest payments on debt and capital expenditures for the foreseeable future.

GMSL is required to make monthly and quarterly interest and principal payments depending on the structure of each individual debt agreement.

Market Environment

GMSL earns revenues in a variety of currencies including the U.S. dollar, the Singapore dollar, the Euro, and the British pound. The exchange rates between the U.S. dollar, the Singapore dollar, the Euro, and the British pound have fluctuated in recent periods and may fluctuate substantially in the future. Any material appreciation or depreciation of these currencies against each other may have a negative impact on GMSL's results of operations and financial condition.

Insurance

Cash flows

CIG's principal cash inflows from its operating activities relate to its premiums, annuity deposits and insurance, investment product fees and other income. CIG's principal cash inflows from its invested assets result from investment income and the maturity and sales of invested assets. The primary liquidity concern with respect to these cash inflows relates to the risk of default by debtors and interest rate volatility. Additional sources of liquidity to meet unexpected cash outflows in excess of operating cash inflows and current cash and equivalents on hand include selling short-term investments or fixed maturity securities.

CIG's principal cash outflows relate to the payment of claims liabilities, interest credited and operating expenses. CIG's management believes its current sources of liquidity are adequate to meet its cash requirements for the next 12 months.

Market environment

As of September 30, 2019, CIG was in a position to hold any investment security showing an unrealized loss until recovery, provided it remains comfortable with the credit of the issuer. CIG does not rely on short-term funding or commercial paper and to date it has experienced no liquidity pressure, nor does it anticipate such pressure in the foreseeable future. CIG projects its reserves to be sufficient and believes its current capital base is adequate to support its business.

Dividend Limitations

CIG's insurance subsidiary is subject to Texas statutory provisions that restrict the payment of dividends. The dividend limitations on CIG are based on statutory financial results and regulatory approval. Statutory accounting practices differ in certain respects from accounting principles used in financial statements prepared in conformity with U.S. GAAP. Significant differences include the treatment of deferred income taxes, required investment reserves, reserve calculation assumptions and surplus notes.

The ability of CIG's insurance subsidiary to pay dividends and to make such other payments is limited by applicable laws and regulations of the state in which its subsidiary is domiciled, which subject its subsidiary to significant regulatory restrictions. These laws and regulations require, among other things, CIG's insurance subsidiary to maintain minimum solvency requirements and limit the amount of dividends this subsidiary can pay. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength in the form of its subsidiary Risk-Based Capital ("RBC") ratio. CIG monitors its insurance subsidiary's compliance with the RBC requirements specified by the National Association of Insurance Commissioners. As of December 31, 2018, CIG's insurance subsidiary exceeded the minimum RBC requirements.

Insurance Companies Capital Contributions

The Company has an agreement with the Texas Department of Insurance ("TDI") that, for two years from August 9, 2018, CIG will contribute to Continental General Insurance Company ("CGI" or the "Insurance Company") cash or marketable securities acceptable to the TDI to the extent required for CGI's total adjusted capital to be not less than 450% of CGI's authorized control level risk-based capital and for three years from August 9, 2020, CIG will contribute to CGI cash or marketable securities acceptable to the TDI to the extent required for CGI's total adjusted capital to be not less than 400% of CGI's authorized control level risk-based capital (each as defined under Texas law and reported in CGI's statutory statements filed with the TDI).

Additionally, CGI entered into a capital maintenance agreement with Great American. Under the agreement, if the applicable acquired company's total adjusted capital reported in its annual statutory financial statements is less than 400% of its authorized control level risk-based capital, Great American has agreed to pay cash or assets to the applicable acquired company as required to eliminate such shortfall (after giving effect to any capital contributions made by the Company or its affiliates since the date of the relevant annual statutory financial statement). Great American's obligation to make such payments is capped at \$35.0 million under the capital maintenance agreement. The capital maintenance agreements will remain in effect from January 1, 2016 to January 1, 2021 or until payments by Great American under the applicable agreement equal the applicable cap. Pursuant to the purchase agreement, the Company is required to indemnify Great American for the amount of any payments made by Great American under the capital maintenance agreements.

Asset Liability Management

CIG's insurance subsidiary maintains investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with longer durations, such as long-term care insurance, are matched with investments such as long-term fixed maturity securities. Shorter-term liabilities are matched with fixed maturity securities that have short- and medium-term fixed maturities. The types of assets in which CIG may invest are influenced by state laws, which prescribe qualified investment assets applicable to insurance companies. Within the parameters of these laws, CIG invests in assets considering four primary investment objectives: (i) maintain robust absolute returns; (ii) provide reliable yield and investment income; (iii) preserve capital and (iv) provide liquidity to meet policyholder and other corporate obligations. The Insurance segment's investment portfolio is designed to contribute stable earnings and balance risk across diverse asset classes and is primarily invested in high quality fixed income securities. In addition, at any given time, CIG's insurance subsidiary could hold cash, highly liquid, high-quality short-term investment securities and other liquid investment grade fixed maturity securities to fund anticipated operating expenses, surrenders and withdrawals.

Investments

At September 30, 2019 and December 31, 2018, CIG's investment portfolio is comprised of the following (in millions):

	September 30, 2019		December 31, 2018	
	Fair Value	Percent	Fair Value	Percent
U.S. Government and government agencies	\$ 7.2	0.2%	\$ 25.4	0.7%
States, municipalities and political subdivisions	447.9	10.3%	421.9	11.0%
Residential mortgage-backed securities	75.4	1.7%	94.4	2.5%
Commercial mortgage-backed securities	103.8	2.4%	93.9	2.5%
Asset-backed securities	528.6	12.1%	511.5	13.4%
Corporate and other (*)	2,831.8	64.9%	2,250.5	58.8%
Common stocks (*)	31.6	0.7%	25.5	0.7%
Perpetual preferred stocks	142.8	3.3%	240.9	6.3%
Mortgage loans	165.7	3.8%	137.6	3.6%
Policy loans	19.1	0.4%	19.8	0.5%
Other invested assets	7.2	0.2%	—	—%
Total	\$ 4,361.1	100.0%	\$ 3,821.4	100.0%

(*) Balance includes fair value of certain securities held by the Company, which are eliminated in consolidation.

Credit Quality

Insurance statutes regulate the type of investments that CIG is permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations, and CIG's business and investment strategy, CIG generally seeks to invest in (i) securities rated investment grade by established nationally recognized statistical rating organizations (each, a nationally recognized statistical rating organization ("NRSRO")), (ii) U.S. Government and government-sponsored agency securities, or (iii) securities of comparable investment quality, if not rated.

The following table summarizes the credit quality, by NRSRO rating, of CIG's fixed income portfolio (in millions):

	September 30, 2019		December 31, 2018	
	Fair Value	Percent	Fair Value	Percent
AAA, AA, A	\$ 1,923.3	48.1%	\$ 1,742.4	51.4%
BBB	1,842.8	46.1%	1,444.1	42.5%
Total investment grade	3,766.1	94.2%	3,186.5	93.9%
BB	158.1	4.0%	143.8	4.2%
B	17.8	0.4%	14.7	0.4%
CCC, CC, C	38.5	1.0%	44.4	1.3%
D	14.2	0.4%	8.2	0.2%
Total non-investment grade	228.6	5.8%	211.1	6.1%
Total	\$ 3,994.7	100.0%	\$ 3,397.6	100.0%

Off-Balance Sheet Arrangements

DBMG

DBMG's off-balance sheet arrangements at September 30, 2019 included letters of credit of \$9.1 million under Credit and Security Agreements and performance bonds of \$136.8 million.

DBMG's contract arrangements with customers sometimes require DBMG 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. DBMG's performance bonds are obtained through surety companies and typically cover the entire project price.

Corporate

In September 2018, HC2 entered into a 75 month lease for office space. As part of the agreement, HC2 was able to pay a lower security deposit and lease payments, and received a favorable lease terms as consideration for landlord required cross default language in the event of default by Harbinger Capital Partners, a related party.

New Accounting Pronouncements

For a discussion of our New Accounting Pronouncements, refer to Note 2. Summary of Significant Accounting Policies to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies

There have been no material changes in the Company's critical accounting policies during the quarter ended September 30, 2019. For information about critical accounting policies, refer to "Critical Accounting Policies" under Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Related Party Transactions

For a discussion of our Related Party Transactions, refer to Note 19. Related Parties to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Corporate Information

HC2, a Delaware corporation, was incorporated in 1994. The Company's executive offices are located at 450 Park Avenue, 30th Floor, New York, NY, 10022. The Company's telephone number is (212) 235-2690. Our Internet address is www.hc2.com. We make available free of charge through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not a part of 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 stockholder value, although they are based on our current plans or assessments which we believe to be reasonable as of the date hereof.

Factors that could cause actual results, events and developments to differ include, without limitation: the ability of our subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, our and our subsidiaries' ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HC2 or the applicable subsidiary of HC2, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, changes in regulations and taxes.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 and in the documents incorporated by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. You should also understand that many factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating our business and that of our subsidiaries.

HC2 Holdings, Inc. and Subsidiaries

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

- limitations on our ability to successfully identify any strategic acquisitions or business opportunities and to compete for these opportunities with others who have greater resources;
- our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital from our operating segments;
- our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;
- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we may incur;
- the impact of covenants in the Indenture governing HC2's Notes, the Certificates of Designation governing HC2's Preferred Stock and all other subsidiary debt obligations as summarized in Note 13. Debt Obligations and future financing agreements on our ability to operate our business and finance our pursuit of acquisition opportunities;
- our dependence on certain key personnel, in particular, our Chief Executive Officer, Philip Falcone;
- 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 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;
- 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;
- our expectations and timing with respect to our ordinary course acquisition activity and whether such acquisitions are accretive or dilutive to stockholders;
- our expectations and timing with respect to any strategic dispositions and sales of our operating subsidiaries including GMSL, or businesses that we may make in the future and the effect of any such dispositions or sales on our results of operations;
- our expectations and timing with respect to any strategic dispositions and sales of our operating subsidiaries or businesses that we may make in the future and the effect of any such dispositions or sales on our results of operations;
- the possibility of indemnification claims arising out of divestitures of businesses;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- the effect any interests our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the potential for, and our ability to, remediate future material weaknesses in our internal controls over financial reporting;
- 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.

Construction / DBM Global Inc.

Our actual results or other outcomes of DBM Global, Inc. and its wholly-owned subsidiaries ("DBMG"), and, thus, our Construction segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- potential impediments and limitations on our ability to complete ordinary course acquisitions in anticipated time frames or at all;
- 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 DBMG 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 DBMG'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 DBMG'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 DBMG's obligations under bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts.

Marine Services / Global Marine Group

Our actual results or other outcomes of Global Marine Systems Limited which operates under the Global Marine Group brand ("GMSL"), and, thus, our Marine Services segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- the possibility of global recession or market downturn with a reduction in capital spending within the targeted market segments in which the business operates;
- 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 two equity method investments that operate in China (i.e., Huawei Marine Systems Co. Limited, a Hong Kong holding company with a Chinese operating subsidiary and SB Submarine Systems Co. Ltd.);
- risks related to noncompliance with a wide variety of anti-corruption laws;
- 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 fulfill their obligations as and when these obligations come due.

Energy / ANG Holdings, Inc.

Our actual results or other outcomes of ANG, and, thus, our Energy segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- automobile and engine manufacturers' limited production of originally manufactured natural gas vehicles and engines for the markets in which ANG participates;
- environmental regulations and programs mandating the use of cleaner burning fuels;
- competition from oil and gas companies, retail fuel providers, industrial gas companies, natural gas utilities and other organizations;
- the infrastructure for natural gas vehicle fuels;
- the safety and environmental risks of natural gas fueling operations and vehicle conversions;
- our Energy segment's ability to implement its business plan in a regulated environment;
- the adoption, modification or repeal in environmental, tax, government regulations, and other programs and incentives that encourage the use of clean fuel and alternative vehicles;
- demand for natural gas vehicles;
- advances in other alternative vehicle fuels or technologies, or improvements in gasoline, diesel or hybrid engines; and
- increases, decreases and general volatility in oil, gasoline, diesel and natural gas prices.

Telecommunications / PTGi International Carrier Services, Inc.

Our actual results or other outcomes of PTGi International Carrier Services, Inc. ("ICS"), and, thus, our Telecommunications segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- 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;
- further changes in the telecommunications industry, including rapid technological, regulatory and pricing changes in its principal markets; and
- an inability of ICS' suppliers to obtain credit insurance on ICS in determining whether or not to extend credit.

Insurance / Continental Insurance Group Ltd.

Our actual results or other outcomes of Continental Insurance Group Ltd. ("CIG"), the parent operating company of Continental General Insurance Company ("CGI"), which together comprise our Insurance segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Insurance segment's ability to maintain statutory capital and maintain or improve their financial strength;
- our Insurance segment's reserve adequacy, including the effect of changes to accounting or actuarial assumptions or methodologies;
- the accuracy of our Insurance segment's assumptions and estimates regarding future events and ability to respond effectively to such events, including mortality, morbidity, persistency, expenses, interest rates, tax liability, business mix, frequency of claims, severity of claims, contingent liabilities, investment performance, and other factors related to its business and anticipated results;
- availability, affordability and adequacy of reinsurance and credit risk associated with reinsurance;
- extensive regulation and numerous legal restrictions on our Insurance segment;
- our Insurance segment's ability to defend itself against litigation, inherent in the insurance business (including class action litigation) and respond to enforcement investigations or regulatory scrutiny;
- the performance of third parties, including distributors and technology service providers, and providers of outsourced services;
- the impact of changes in accounting and reporting standards;
- our Insurance segment's ability to protect its intellectual property;
- general economic conditions and other factors, including prevailing interest and unemployment rate levels and stock and credit market performance which may affect, among other things, our Insurance segment's ability to access capital resources and the costs associated therewith, the fair value of our Insurance segment's investments, which could result in impairments and other-than-temporary impairments, and certain liabilities;
- our Insurance segment's exposure to any particular sector of the economy or type of asset through concentrations in its investment portfolio;
- the ability to increase sufficiently, and in a timely manner, premiums on in-force long-term care insurance policies and/or reduce in-force benefits, as may be required from time to time in the future (including as a result of our Insurance segment's failure to obtain any necessary regulatory approvals or unwillingness or inability of policyholders to pay increased premiums);
- other regulatory changes or actions, including those relating to regulation of financial services affecting, among other things, regulation of the sale, underwriting and pricing of products, and minimum capitalization, risk-based capital and statutory reserve requirements for our Insurance segment, and our Insurance segment's ability to mitigate such requirements;
- our Insurance segment's ability to effectively implement its business strategy or be successful in the operation of its business;
- our Insurance segment's ability to retain, attract and motivate qualified employees;
- interruption in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems;
- medical advances, such as genetic research and diagnostic imaging, and related legislation; and
- the occurrence of natural or man-made disasters or a pandemic.

Life Sciences / Pansend Life Sciences, LLC

Our actual results or other outcomes of Pansend Life Sciences, LLC, and, thus, our Life Sciences segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Life Sciences segment's ability to invest in development stage companies;
- our Life Sciences segment's ability to develop products and treatments related to its portfolio companies;
- medical advances in healthcare and biotechnology; and
- governmental regulation in the healthcare industry.

Broadcasting / HC2 Broadcasting Holdings Inc.

Our actual results or other outcomes of HC2 Broadcasting Holdings Inc., and, thus, our Broadcasting segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Broadcasting segment's ability to integrate our recent and pending broadcasting acquisitions;
- our Broadcasting segment's ability to operate in highly competitive markets and maintain market share;
- our Broadcasting segment's ability to effectively implement its business strategy or be successful in the operation of its business;
- new and growing sources of competition in the broadcasting industry; and
- FCC regulation of the television broadcasting industry.

Other

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

- our Other segment's ability to operate in highly competitive markets and maintain market share; and
- our Other segment's ability to effectively implement its business strategy or be successful in the operation of its business.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this document. Neither we nor any of our subsidiaries undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this document or to reflect actual outcomes, except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Factors

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. We are exposed to market risk with respect to our investments and foreign currency exchange rates. Through DBMG, we have market risk exposure from changes in interest rates charged on its borrowings and from adverse changes in steel prices. Through GMSL and ANG, we have market risk exposure from changes in interest rates charged on their respective borrowings. We do not use derivative financial instruments to mitigate a portion of the risk from such exposures.

Equity Price Risk

HC2 is exposed to market risk primarily through changes in fair value of available-for-sale fixed maturity and equity securities. HC2 follows an investment strategy approved by the HC2 Board of Directors which sets certain restrictions on the amount of securities that HC2 may acquire and its overall investment strategy.

Market prices for fixed maturity and equity securities are subject to fluctuation, as a result, and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Because HC2's fixed maturity are classified as available-for-sale, the hypothetical decline would not affect current earnings except to the extent that the decline reflects OTTI, however with respect to Equity Securities, as of January 1, 2018, due to the adoption of ASU 2016-01, would affect earnings due to a hypothetical decline.

A means of assessing exposure to changes in market prices is to estimate the potential changes in market values on the fixed maturity and equity securities resulting from a hypothetical decline in equity market prices. As of September 30, 2019, assuming all other factors are constant, we estimate that a 10.0%, 20.0%, and 30.0% decline in equity market prices would have the following impact (in millions):

	Decline in equity market prices		
	10%	20%	30%
Fixed Maturity Securities	\$ 397.5	\$ 795.1	\$ 1,192.6
Equity Securities	\$ 10.4	\$ 20.9	\$ 31.3

Foreign Currency Exchange Rate Risk

We translate the local currency statements of operations of our foreign subsidiaries into the United States dollar ("USD") using the average exchange rate during the reporting period. DBMG, GMSL and ICS are exposed to market risk from foreign entities' currency price changes that could have a significant and potentially adverse impact on gains and losses as a result of translating the operating results and financial position of international subsidiaries into USD. By way of example, when the USD strengthens compared to the British pound sterling ("GBP"), there could be a negative or positive effect on the reported results for our Telecommunications segment, depending upon whether such businesses are operating profitably or at a loss. More profits in GBP are required to generate the same amount of profits in USD and a greater loss in GBP to generate the same amount of loss in USD, and vice versa. For instance, when the USD weakens against the GBP, there is a positive effect on reported profits and a negative effect on reported losses.

During the three months ended September 30, 2019 and 2018, approximately 11.8% and 14.9%, respectively, of our net revenue from continuing operations was derived from sales and operations outside the U.S. During the nine months ended September 30, 2019 and 2018, approximately 10.5% and 12.1%, respectively, of our net revenue from continuing operations was derived from sales and operations outside the U.S. The reporting currency for our Consolidated Financial Statements is 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/GBP exchange rate. Changes in the exchange rate of 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 Consolidated Financial Statements. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because certain of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

Interest Rate Risk

The Company is exposed to the market risk from changes in interest rates through their borrowings, which bear variable rates based on LIBOR or selected alternate rates. Changes to these rates could result in an increase or decrease in interest expense recorded. A 100, 200, and 300 basis point increase based on our floating rate borrowings outstanding as of September 30, 2019 of \$170.8 million, would result in an increase in the recorded interest expense of \$1.7 million, \$3.4 million, and \$5.1 million per year, respectively.

Commodity Price Risk

DBMG is exposed to the market risk from changes in the price of steel. For large orders the risk is mitigated by locking the general contractors into the price at the mill at the time work is awarded. In the event of a subsequent price increase by the mill, DBMG has the ability to pass the higher costs on to the general contractor. DBMG does not hedge or enter into any forward purchasing arrangements with the mills. The price negotiated at the time of the order is the price paid by DBMG.

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 September 30, 2019, our disclosure controls and procedures were 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 changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

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 Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for the Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Condensed Consolidated Financial Statements. See Note 15. Commitments and Contingencies to our unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Other than noted below, there have been no additional material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 12, 2019.

Risks related to our Broadcasting segment

Broadcasting Licenses are issued by, and subject to the jurisdiction of the Federal Communications Commission ("FCC"), pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act empowers the FCC, among other actions, to issue, renew, revoke and modify broadcasting licenses; determine stations' frequencies, locations and operating power; regulate some of the equipment used by stations; adopt other regulations to carry out the provisions of the Communications Act and other laws, including requirements affecting the content of broadcasts; and to impose penalties for violation of its regulations, including monetary forfeitures, short-term renewal of licenses and license revocation or denial of license renewals.

License Renewals. Broadcast television licenses are typically granted for standard terms of eight years. Most licenses for commercial and noncommercial TV broadcast stations, Class A TV broadcast stations, television translators and Low Power Television ("LPTV") broadcast stations are scheduled to expire between 2020 and 2022; however, the Communications Act requires the FCC to renew a broadcast license if the FCC finds that the station has served the public interest, convenience and necessity and, with respect to the station, there have been no serious violations by the licensee of either the Communications Act or the FCC's rules and regulations and there have been no other violations by the licensee of the Communications Act or the FCC's rules and regulations that, taken together, constitute a pattern of abuse. The Company has no pending renewal applications. A station remains authorized to operate while its license renewal application is pending.

License Assignments. The Communications Act requires prior FCC approval for the assignment or transfer of control of an FCC licensee. Third parties may oppose the Company's applications to assign, transfer or acquire broadcast licenses.

Full Power and Class A Station Regulations. The Communications Act and FCC rules and regulations limit the ability of individuals and entities to have certain official positions or ownership interests, known as "attributable" interests, above specific levels in full power broadcast stations as well as in other specified mass media entities. Many of these limits do not apply to Class A stations, television translators and LPTV authorizations. In seeking FCC approval for the acquisition of a broadcast television station license, the acquiring person or entity must demonstrate that the acquisition complies with applicable FCC ownership rules or that a waiver of the rules is in the public interest. Additionally, while the Communications Act and FCC regulations have been modified to no longer strictly prohibit ownership of a broadcast station license by any corporation with more than 25 percent of its stock owned or voted by non-U.S. persons, their representatives or any other corporation organized under the laws of a foreign country, foreign ownership above such threshold is determined by the FCC on a case-by-case basis, which analysis is subject to the specific circumstances of each such request. The FCC has also adopted regulations concerning children's television programming, commercial limits, local issues and programming, political files, sponsorship identification, equal employment opportunity requirements and other requirements for full power and Class A broadcast television stations. The FCC's rules require operational full-power and Class A stations to file quarterly reports demonstrating compliance with these regulations.

Low Power Television and TV Translator Authorizations. LPTV stations and TV Translators have "secondary spectrum priority" to full-service television stations. The secondary status of these authorizations prohibits LPTV and TV Translator stations from causing interference to the reception of existing or future full-service television stations and requires them to accept interference from existing or future full-service television stations and other primary licensees. LPTV and TV Translator licensees are subject to fewer regulatory obligations than full-power and Class A licensees, and there no limit on the number of LPTV stations that may be owned by any one entity.

The 600 MHz Incentive Auction and the Post-Auction Relocation Process. The FCC concluded a two-sided auction process for 600 MHz band spectrum (the "600 MHz Incentive Auction") on April 13, 2017. The auction process allowed eligible full-power and Class A broadcast television licensees to sell some or all of their spectrum usage rights in exchange for compensation; the FCC would pay reasonable expenses for the remaining, non-participating full-power and Class A stations to relocate to the remaining "in-core" portion of the 600 MHz band. Several of our

stations will relocate to new channel assignments and will receive funding from the 600 MHz Band Broadcaster Relocation Fund. LPTV and TV translator stations will eventually be required to relocate from the "out-of-core" portion of the 600 MHz band (i.e., channels 38-51) and are required under the rules to mitigate interference to any relocated full-power or Class A station in the in-core band (or cease operations). The FCC has created a priority filing window for LPTV and TV translator stations licensed and operating as of April 13, 2017, and some of our LPTV and TV translator stations have found new channel assignments as a result of this special displacement window. But some LPTV and TV translator stations displaced as a result of the 600 MHz Incentive Auction were not qualified for an alternate channel assignment. The FCC opened a second displacement application filing window in April of 2019 for LPTV and TV translator stations that still lacked channel assignments. All of our remaining LPTV and TV translator stations have found new channel assignments as a result of this window.

License Expirations. The Communications Act prohibits any licensed television station to remain silent for more than one year. We have purchased numerous stations whose on-air deadlines will occur in 2019. Building these stations before those deadlines is extremely challenging, especially in the post-auction relocation environment, which is creating scarcity of industry equipment and labor. The FCC may extend these deadlines for reasons beyond the control of a station licensee, and has granted such extensions for reasons of equipment delivery delays or installation labor shortages due to the post-auction repack. However, it remains possible that we will not be able to build all of our silent stations by their on-air deadlines, in which case those licenses will expire.

Obscenity and Indecency Regulations. Federal law and FCC regulations prohibit the broadcast of obscene material on television at any time and the broadcast of indecent material between the hours of 6:00 a.m. and 10:00 p.m. local time. The FCC investigates complaints of broadcasts of prohibited obscene or indecent material and can assess fines of up to \$350,000 per incident for violation of the prohibition against obscene or indecent broadcasts and up to \$3,300,000 for any continuing violation based on any single act or failure to act. The FCC may also revoke or refuse to renew a broadcast station license based on a serious violation of the agency's obscenity and indecency rules.

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

None.

Item 6. Exhibits

(a) Exhibits

Please note that the agreements included as exhibits to this Form 10-Q are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about HC2 Holdings, Inc. or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Description
4.1	Secured Note dated August 2, 2019, by and among HC2 Station Group, Inc. ("HC2 Station"), HC2 LPTV Holdings, Inc. ("HC2 LPTV") and HC2 Broadcasting Holdings Inc. ("HC2 Broadcasting") as Borrowers, and Arena Limited SPV, LLC ("Arena"), as Lender.
4.2	Secured Note dated September 10, 2019, by and among HC2 Station, HC2 LPTV and HC2 Broadcasting as Borrowers, and Arena, as Lender.
10.1	Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated July 31, 2019 among HC2 Station, HC2 LPTV, HC2 Broadcasting, Great American Life Insurance Company ("GALIC"), Great American Insurance Company ("GAIC"), Minority Brands, Inc. ("MBI"), and Arena Limited SPV, LLC ("Arena").
10.2	Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated August 2, 2019, among HC2 Station, HC2 LPTV, HC2 Broadcasting, GALIC, GAIC, MBI and Arena.
10.3	Sixth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated August 30, 2019, among HC2 Station, HC2 LPTV, HC2 Broadcasting, GALIC, GAIC, MBI and Arena.
10.4	Seventh Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated September 10, 2019, among HC2 Station, HC2 LPTV, HC2 Broadcasting, GALIC, GAIC, MBI and Arena.
10.5	Eighth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated September 26, 2019, among HC2 Station, HC2 LPTV, HC2 Broadcasting, GALIC, GAIC, MBI and Arena.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).
32*	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101	The following materials from the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019, formatted in extensible business reporting language (XBRL): (i) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 and 2018 (iii) Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2019 and 2018, (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and 2018, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith).

* 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.

SIGNATURES

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

HC2 Holdings, Inc.

Date: November 5, 2019

By: /s/ Michael J. Sena

Michael J. Sena

Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

SECURED NOTE

US \$5,375,000 August 2, 2019

FOR VALUE RECEIVED, **HC2 Station Group, Inc.**, a Delaware corporation, and **HC2 LPTV Holdings, Inc.**, a Delaware corporation (collectively, the “**Subsidiary Borrowers**”), **HC2 Broadcasting Holdings Inc.**, a Delaware corporation (the “**Parent Borrower**” and, together with the Subsidiary Borrowers, the “**Borrowers**” and each, a “**Borrower**”) hereby unconditionally promise, severally and jointly, to pay to each entity listed on Annex I hereto (the “**Lender**”), or its registered assigns, Five Million Three Hundred Seventy Five Thousand Dollars (\$5,375,000), together with interest on the unpaid principal balance of this Secured Note (this “**Note**”) outstanding from time to time at a rate equal to Eight and a Half percent (8.50%) (computed on the basis of the actual number of days elapsed in a 365-day year) per annum (the “**Interest Rate**”).

1. **Definitions.** Capitalized terms used herein shall have the meanings set forth in this Section 1.

1.1 “**Additional Collateral**” means:

- (a) All FCC Licenses and all proceeds from the sale, lease, assignment or transfer of such FCC Licenses to a third party to the fullest extent that the creation of a security interest in any such FCC License would be permitted by applicable Law as in effect in any applicable jurisdiction, including after giving effect to Section 9-408 of the Uniform Commercial Code as in effect in any applicable jurisdiction;
 - (b) all accounts, chattel paper, deposit accounts, documents, equipment, general intangibles, payment intangibles, software, commercial tort claims, instruments, inventory, investment property, letter of credit rights, letters of credit, money and any supporting obligations related to any of the foregoing (each as defined in the Uniform Commercial Code of the State of New York (“**UCC**”));
 - (c) all books and records pertaining to the property described in this Section;
 - (d) all Intellectual Property pertaining to the property described in this Section; and
 - (e) to the extent not otherwise included, all proceeds of the foregoing in whatever form, including, without limitation any insurance, indemnity, warranty or guaranty payable with respect to any Additional Collateral, any awards or payments due or payable in connection with any condemnation, requisition, confiscation, seizure or forfeiture of any Additional Collateral by any person acting under Governmental Authority or color thereof, and any damages or other amounts payable to Borrowers in connection with any lawsuit regarding any of the Additional Collateral.
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- 1.2 “**Affiliate**” means as to any Person, any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote ten (10%) percent or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.
- 1.3 “**Agreement Re: Secured Notes**” means the Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 2, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.
- 1.4 “**Borrower**” and “**Borrowers**” have the meaning set forth in the introductory paragraph.
- 1.5 “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by Law to close.
- 1.6 “**Capital Lease**” means any lease of personal property, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP, provided that if any operating lease is reclassified as a capital lease under GAAP subsequent to the date hereof or, if a lease entered into subsequent to the date hereof would have been classified as an operating lease if it existed on the date hereof, then such leases shall continue to be treated as an operating lease for all purposes hereunder.
- 1.7 “**Capital Lease Obligations**” means the obligations of lessee relating to a Capital Lease determined in accordance with GAAP.
- 1.8 “**Collateral**” means, collectively, the Pledged Stock and the Additional Collateral.
- 1.9 “**Common Stock Equivalents**” means any securities of a Borrower or its subsidiaries which would entitle the holder thereof to acquire at any time common stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, common stock.
- 1.10 “**Copyright**” means all domestic and foreign copyrights, whether registered or not or the subject of a pending application, owned by the Borrowers, all applications, registrations and recordings thereof, and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof.

- 1.11 “**Default**” means any of the events specified in Section 8 which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to Section 8 would, unless cured or waived, become an Event of Default.
- 1.12 “**Default Rate**” means, at any time, a rate per annum equal to the Interest Rate plus 2.00% per annum.
- 1.13 “**Event of Default**” has the meaning set forth in Section 8.
- 1.14 “**FCC Licenses**” means licenses, permits, and other authorizations granted by the Federal Communications Commission.
- 1.15 “**First Omnibus Amendment**” means the First Omnibus Amendment to Secured Notes, dated as of May 3, 2019, among the Borrowers, the lenders party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.
- 1.16 “**GAAP**” means generally accepted accounting principles in effect in the United States of America as in effect on the date of this Note applied on a consistent basis.
- 1.17 “**Governmental Authority**” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government.
- 1.18 “**Great American Notes**” means the US \$35,000,000 secured note, dated as of August 7, 2018, and the US \$7,500,000 secured note, dated as of January 22, 2019, each among the Borrowers and the Initial Lenders, each as amended by the Omnibus Amendments.
- 1.19 “**Indemnified Person**” has the meaning set forth in Section 10.1.
- 1.20 “**Initial Lender**” and “**Initial Lenders**” means Great American Life Insurance Company, an Ohio corporation, and Great American Insurance Company, an Ohio corporation, and their respective successors and permitted assigns under the Great American Notes.
- 1.21 “**Intellectual Property**” means all intangible assets, intellectual property, Copyrights, Trademarks, and Patents.
- 1.22 “**Interest Payment Date**” means earlier of (a) the Maturity Date and (b) with respect to any portion of the Note that is prepaid prior to the Maturity Date, the applicable prepayment date.
- 1.23 “**Interest Rate**” has the meaning set forth in the introductory paragraph.

- 1.24 “**Law**” as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.
- 1.25 “**Lender**” and “**Lenders**” has the meaning set forth in the introductory paragraph.
- 1.26 “**Lien**” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.
- 1.27 “**Loan**” means the principal amount outstanding under this Note together with accrued interest thereon.
- 1.28 “**Material Adverse Change**” means a material adverse change in, or a material adverse effect upon, (a) the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrowers, taken as a whole; (b) the validity or enforceability of this Note; (c) the ability of the Borrowers, taken as a whole, to perform their obligations under this Note or (d) any right or remedy of a Lender under this Note.
- 1.29 “**Maturity Date**” means the earlier of (a) August 31, 2019 and (b) the date on which all amounts under this Note shall become due and payable.
- 1.30 “**Note**” has the meaning set forth in the introductory paragraph.
- 1.31 “**Omnibus Amendments**” means the First Omnibus Amendment and the Agreement Re: Secured Notes.
- 1.32 “**Operating Documents**” are, for any Person, such Person’s formation documents, as certified by the Secretary of State (or equivalent agency) of such Person’s jurisdiction of organization on a date that is no earlier than thirty (30) Business Days prior to the delivery thereof, certificate of incorporation, bylaws, or similar governing agreement with all current amendments or modifications thereto.
- 1.33 “**Operating Subsidiaries**” means, collectively, HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network Inc. and HC2 LPTV Holdings, Inc., each a Delaware corporation.
- 1.34 “**Parent**” means HC2 Broadcasting Intermediate Holdings Inc., a Delaware corporation.
- 1.35 “**Parent Borrower**” has the meaning set forth in the introductory paragraph.
- 1.36 “**Parties**” means the Lender and the Borrowers.

- 1.37 **“Patents”** means all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, and other general intangibles of like nature, whether now existing or hereafter acquired, all applications, registrations and recordings thereof, and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, in each case, to the extent owned by the Borrowers.
- 1.38 **“Permitted Indebtedness”** means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$59,325,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).
- 1.39 **“Person”** means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.
- 1.40 **“Permitted Liens”** means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

- 1.41 “**Pledged Stock**” means all shares of capital stock issued by each of the Operating Subsidiaries, any certificates evidencing any such shares, and any distribution of property and dividends made on, in respect of or in exchange for the foregoing from time to time.
- 1.42 “**Purchase Money Obligation**” means, for any Person, the obligations of such Person in respect of indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any fixed or capital assets or the cost of installation, construction or improvement of any fixed or capital assets; provided, however, that (i) such indebtedness is incurred within 30 days after such acquisition, installation, construction or improvement of such fixed or capital assets by such Person and (ii) the amount of such indebtedness does not exceed the lesser of 100% of the fair market value of such fixed or capital asset or the cost of the acquisition, installation, construction or improvement thereof, as the case may be.
- 1.43 “**Subsidiary Borrowers**” has the meaning set forth in the introductory paragraph.
- 1.44 “**Trademarks**” means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a’s, internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, which are the subject of a pending application, or now or hereafter owned, by the Borrowers, all applications, registrations and recordings thereof, and all reissues, extensions or renewals thereof, together with all goodwill of the business symbolized thereby.

2. Disbursement Mechanics; Conditions to Disbursement.

- 2.1 Disbursement. The entire principal amount of the Note will be disbursed on the date of this Note. The Borrowers shall not have the right to redraw any amount prepaid hereunder.
- 2.2 Conditions to Disbursement. Each Lender’s obligation to make the disbursement of the principal sums set forth on Annex I hereto on the date hereof is subject to the condition precedent that such Lender shall have received, in form and substance satisfactory to such Lender, such documents, and the completion of such other matters, as such Lender may reasonably deem necessary or appropriate, including, without limitation:
- (a) this Note duly executed; and
 - (b) the Operating Documents and a good standing certificate of each Borrower certified by the Secretary of State of the State of Delaware as of a date no earlier than thirty (30) Business Days prior to the date hereof, together with duly authorized resolutions of the board of directors for each Borrower in form and substance acceptable to the Lender in its sole discretion.

3. Interest.

- 3.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of the Note shall bear interest at the Interest Rate from the date hereof until the Note is paid in full, whether at maturity, upon prepayment or acceleration, or otherwise.
- 3.2 Interest Payment. Interest shall be due and payable on the Interest Payment Date. All interest, if any, that may accrue after the Maturity Date shall be payable on demand.
- 3.3 Default Interest. If any amount payable hereunder (including, without limitation, interest and principal) is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.
- 3.4 Computation of Interest. All computations of interest shall be made on the basis of a year of 365 days, and the actual number of days elapsed. Interest shall accrue on the date hereof, and shall not accrue on the day on which the Loan is paid.
- 3.5 Interest Rate Limitation. In no event whatsoever shall the amount of interest charged, taken or received hereunder exceed the maximum amount permitted by Law. If at any time and for any reason whatsoever, the Interest Rate payable under this Note shall exceed the maximum rate of interest permitted to be charged by the Lender to the Borrowers under applicable Law, such interest rate shall be reduced automatically to the maximum rate of interest permitted to be charged under applicable Law, and that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest permitted by applicable Law shall be deemed a voluntary prepayment of principal.

4. Final Payment Date; Prepayment.

- 4.1 Final Payment Date. The aggregate of the unpaid principal, all accrued and unpaid interest, and all other amounts payable, but unpaid, under this Note shall be due and payable on the Maturity Date.
- 4.2 Prepayment.
- (a) [Reserved].
- (b) The Borrowers may on any one or more occasions voluntarily prepay the Note in whole or in part at a prepayment price equal to 100% of the principal amount of the Note, plus accrued and unpaid interest on the principal amount of the Note being prepaid to, but not including, the date of prepayment.

- (c) Any such prepayment will be preceded by at least five (5) Business Day's prior written notice, with such notice specifying the planned prepayment date. Any such notice may be conditional.

5. Payment Mechanics.

- 5.1 Manner of Payments. All payments of interest and principal shall be made in lawful money of the United States of America on the date on which such payment is due by wire transfer of immediately available funds to the applicable Lender's account at a bank specified by such Lender in writing to the Borrowers from time to time. All payments hereunder shall be made without deduction or setoff of any kind, provided however, that if applicable Law requires the Borrowers to withhold or deduct any tax, levy or fee of any kind, such tax shall be withheld or deducted in accordance with such law. If the Borrowers' are required to deduct any amount in respect of any tax, levy or fee of any kind, the Borrowers' shall pay such additional amount so that, after deduction of any required amount, the Lender receives the full amount due hereunder; provided, however, the Borrowers shall not be required to pay any additional amounts with respect to taxes, levies or fees imposed on or measured by net income (however denominated) and similar taxes, levies or fees imposed on or measured by net income (however denominated).
- 5.2 Application of Payments. All partial payments made hereunder shall be applied first to the payment of any fees or charges outstanding hereunder, second to accrued but unpaid interest, and third to the payment of the principal amount outstanding under this Note.
- 5.3 Business Day Convention. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.
- 5.4 Rescission of Payments. If at any time any payment made by the Borrowers under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, the Borrowers' obligation to make such payment shall be reinstated as though such payment had not been made.
- 5.5 Right of Contribution. If any payment is made under this Note by a Borrower, including pursuant to a collection under Section 9:
 - (a) Subject to Section 5.5(c), such Borrower shall be entitled to contribution in respect of such payment and shall be entitled to demand and enforce contribution in respect of such payment from each other Borrower which has not paid its fair share of such payment, as necessary to ensure that (after giving effect to any enforcement of reimbursement rights provided hereby) each Borrower pays its fair share of such payment.

- (b) If and whenever any right of reimbursement or contribution becomes enforceable by any Borrower against the other Borrowers, such Borrower shall be entitled, subject to and upon (but not before) the indefeasible payment in full to the Lender by of all of the outstanding obligations of the Borrowers under this Note, to be subrogated to the security interest that may then be held by the Lender upon the Collateral securing or purporting to secure the Note. If subrogation is demanded by any Borrower, then, after discharge of the Note following payment in full to the Lender by of all of the outstanding obligations of the Borrowers under this Note, the Lender shall deliver to the Borrower making such demand (at the cost of such Borrower) an instrument satisfactory to the Lender transferring, on a quitclaim basis without any recourse, representation, warranty or any other obligation whatsoever, whatever security interest the Lender then may hold in the Collateral securing the Note.
- (c) All rights and claims arising under this Section 5.5 shall be fully subordinated to the rights of the Lender under this Note prior to the indefeasible payment in full to Lender of the principal amount of, and interest on, the Note and the payment in full of all other outstanding obligations of the Borrowers under this Note. Prior to such payment, no Borrower may demand, enforce or receive any collateral security, payment or distribution whatsoever on account of any such right or claim.

6. Security Interest; Intercreditor Matters.

- 6.1 Grant. Subject to the Agreement Re: Secured Notes, the Parent Borrower, as collateral security for the prompt and complete payment and performance when due of the obligations of the Borrowers hereunder, whether now existing or hereafter incurred, matured or unmatured, direct or indirect, primary or secondary or due or to become due, hereby grants to the Lenders a lien on and security interest in all of Parent Borrower's right, title and interest, whether now owned or hereafter acquired, in the Pledged Stock. Subject to the Agreement Re: Secured Notes, each Subsidiary Borrower, as collateral security for the prompt and complete payment and performance when due of the obligations of the Borrowers hereunder, whether now existing or hereafter incurred, matured or unmatured, direct or indirect, primary or secondary or due or to become due, hereby grants to the Lender a lien on and security interest in, all of such Subsidiary Borrower's right, title and interest in, to and under the Additional Collateral, whether now owned or hereafter acquired.
- 6.2 Filings. Subject to the Agreement Re: Secured Notes, if either the Great American Notes have been repaid, discharged, defeased or otherwise paid in full or if otherwise permitted by the Initial Lenders, each Borrower hereby authorizes the Lender to file, in any filing office as "Secured Party", (a) financing statements, amendments to financing statements, and continuations thereof without such Borrower's signature in accordance with the UCC and (b) financing statements and amendments to financing statements describing the Collateral as the Lender determines in its sole discretion, including financing statements listing "All Assets" in the collateral description therein.

6.3 Further Assurances; Expenses. Subject to the Agreement Re: Secured Notes, each Borrower shall (a) promptly, upon the reasonable request of the Lender, and at the Borrowers' expense, execute, acknowledge and deliver, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Note or otherwise necessary or deemed by the Lender reasonably desirable for the continued validity, enforceability, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except Permitted Liens, or obtain any consents or waivers as may be necessary or appropriate in connection therewith; and

- (a) Deliver or cause to be delivered to the Lender from time to time such other documentation, instruments, consents, authorizations and approvals in form and substance reasonably satisfactory to the Lender as the Lender shall reasonably deem necessary or advisable to perfect or maintain the validity, enforceability, perfection and priority of the Liens on the Collateral pursuant to the Note. Upon payment in full to Lender by the Borrowers of all of the outstanding obligations of the Borrowers under this Note, the Lender shall take all action and execute and deliver all documents to immediately discharge and release all Liens granted under this Note.

6.4 Agreement Re: Secured Notes. This Note is subject to the Agreement Re: Secured Notes, and the "Lender" hereunder shall be deemed to be an "Additional Lender" under and as defined in the Agreement Re: Secured Notes. In the event of any conflict between this Note and the Agreement Re: Secured Notes, the Agreement Re: Secured Notes shall govern and be controlling.

7. Covenants and Representations and Warranties.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that it shall:

- (a) commencing with the fiscal quarter ending September 30, 2019 (if applicable), provide, or shall cause to be provided, to the Lender, as soon as available, but in any event within 90 days after the end of each fiscal quarter of each Borrowers and 120 days after the fiscal year of each Borrower, a balance sheet of each Borrower as at the end of such fiscal quarter or year, and the related statements of income or operations, shareholders' equity and cash flows for such fiscal quarter or year all in reasonable detail and prepared in accordance with GAAP (subject, in the case of quarterly statements, to usual year-end adjustments and the absence of full notes and deferred tax disclosure) together with a certification from an officer of each Borrower that such statements fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of each Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

- (b) provide to the Lender, promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority affecting Borrowers or any of their assets that has a claim for damages in excess of \$1,000,000 or that could otherwise result in a cost, expense or loss to Borrowers in excess of \$1,000,000;
- (c) provide to the Lender immediate written notice of any event, development of circumstance that would (with the passage of time or the giving of notice or both) constitute an Event of Default or that has had a Material Adverse Change;
- (d) provide to the Lender such other information respecting the business, operations, or property of Borrowers, financial or otherwise, as such Lender may reasonably request.
- (e) comply with, and require all of its subsidiaries, to comply with, all federal, state, and local laws and regulations, which are applicable to the operations and property of borrowers and maintain all related permits necessary for the ownership and operation of Borrowers' property and business.
- (f) pay all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, such Borrower's personal property, equipment and inventory (other than taxes the amounts of which are not material and do not constitute a Lien on such Borrower's property that is not a Permitted Lien), except to the extent the validity thereof is being contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves in accordance with GAAP, have been set aside for the payment thereof.
- (g) at its own expense, maintain insurance (including, without limitation, comprehensive general liability and property insurance) with respect to the real and personal property of such Borrower in such amounts, against such risks, in such form and with responsible and reputable insurance companies or associations as is required by any Governmental Authority, contracts to which each Borrower is a party, or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and otherwise in amounts and with carriers reasonably acceptable to the Lender and the Lender shall be named as the sole loss payee with respect to all insurance relating to loss of any Collateral and shall be included as an additional insured under each liability policy.

- (h) comply with all agreements with the Lender under this Note.
- (i) comply with all applicable Laws in all material respects.
- (j) pay all material obligations as they become due.
- (k) permit the Lender access to the Collateral and otherwise provide such information as the Lender shall reasonably request.
- (l) use the net proceeds of the Note to pay fees, costs and expenses related to the Note, including interest and principal payments, to pay the cash consideration for acquisitions, including fees, costs and expenses related to such acquisitions, to pay dividends or make other distributions to the Parent Borrower or Parent, and for general corporate purposes.

7.2 Restrictions. Each Borrower covenants and agrees that it shall not without the prior written consent of the Lender:

- (a) permit any other Lien of any kind to attach to or be imposed upon any of the Collateral except for Permitted Liens.
- (b) incur any indebtedness other than Permitted Indebtedness and accounts payable incurred in the ordinary course on customary terms.
- (c) change its legal name, form of legal entity, or jurisdiction of organization.
- (d) make or pay or declare any dividends, return any capital, or make any other payment of cash or distribution of property on account of its equity interests, except for any such dividends or distributions made by one Borrower that are substantially concurrently invested in the common equity capital of, or contributed to the equity capital of, the other Borrower, and as set forth under Section 7.1(l) or purchase or acquire any of its own equity interests
- (e) operate outside the ordinary course of business consistent with past practice (it being understood and agreed that, for absence of doubt, the ordinary course of the Borrowers' business consistent with past practice includes the consummation of acquisitions of broadcasting businesses and assets and related businesses and assets) or make any investment in, or acquire all or substantially all of the assets of any other person or entity (including, without limitation, any subsidiary) outside the ordinary course of business consistent with past practice (it being understood and agreed that, for absence of doubt, the ordinary course of the Borrowers' business consistent with past practice includes the consummation of acquisitions of broadcasting businesses and assets and related businesses and assets).

- (f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000.
- (g) sell, transfer, lease, change the registration, if any, dispose of, attempt to dispose of, modify, amend or abandon the Collateral, including the FCC Licenses, except to the extent mandated by the FCC pursuant to a consent decree, agreement or order entered into with the FCC after the date of this Note and approved by the Lender or otherwise applicable to other similarly situated holders of FCC Licenses; provided, however, that, the Borrowers may (i) change the registration (other than in connection with a sale or transfer), amend or modify FCC Licenses in the ordinary course of business consistent with past practice; (ii) change the registration (other than in connection with a sale or transfer), amend or modify an FCC License if such change of registration, amendment or modification would be reasonably expected to preserve or increase the value of such FCC License; (iii) abandon any FCC License which has a nominal value (taking into account the intended use of such License to any Borrower) or which is duplicative with other FCC Licenses owned by the Borrowers; or (iv) exchange an FCC License and any assets related to such FCC License with a fair market value not to exceed \$5,000,000 for assets in an amount not less than the fair market value of the FCC License and related assets being exchanged, in the case of clause (iii) or (iv) if such transaction exceeds \$100,000, as determined by the board of directors of the applicable Borrower.
- (h) in any single transaction or series of transactions, directly or indirectly (1) wind up its affairs, liquidate or dissolve or (2) be a party to any merger or consolidation.
- (i) enter into or permit to exist any transaction or series of transactions (including, but not limited to, the purchase, sale, lease or exchange of property, the making of any investment, the giving of any guaranty, the assumption of any obligation or the rendering of any service) with any of its Affiliates (other than transactions between the Borrowers); provided, that the restrictions in this Section 7.2(i) shall not apply to: (a) any transaction or series of transactions for fair value that is on terms no less favorable to such Borrower than those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate and in connection therewith such Borrower provide written notice to the Lender at least 3 Business Days prior to the consummation of such transaction (which such notice shall include all material terms and conditions of such transaction), (b) any other transaction or series of transactions approved by Lender and (c) the agreements set forth in Schedule 7.2(i) (to the extent performed in accordance with past practice).

7.3 Representations and Warranties. As an inducement for the transactions in connection with this Note, each Borrower shall cause the following representations and warranties to be true until the indebtedness under this Note is discharged in full:

- (a) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.
- (b) Each Borrower has full power and authority to execute and deliver this Note and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Note, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.
- (c) This Note constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.
- (d) Except as disclosed to the Lender in writing and acknowledged by the Lender prior to the date of this Note as set forth on Schedule 7.3(d) hereto, (1) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower, threatened before any court or Governmental Authority, agency or arbitration authority that could result in a Material Adverse Change or (2) there is no material outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.
- (e) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note.
- (f) Except as set forth on Schedule 7.3(f) hereto or as would not result in a Material Adverse Change, all taxes and assessments due and payable by each Borrower have been paid or are being contested in good faith by appropriate proceedings and such Borrower has filed all tax returns which it is required to file.
- (g) [Reserved].

- (h) Each Borrower's chief executive office is located at its address for notice herein.

- (i) On the date of this Agreement, (i) the capitalization of each Borrower is as set forth on Schedule 7.3(h), which Schedule 7.3(h) shall also include the number of shares of common stock of each Borrower outstanding as of the date hereof. No Person has any right of first refusal, preemptive right, right of participation, or any similar right in respect of the capital stock of such Borrower or any subsidiary of either Borrower. Except as set forth on Schedule 7.3(h), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of common stock, or contracts, commitments, understandings or arrangements by which each Borrower or any of its subsidiaries is or may become bound to issue additional shares of common stock or Common Stock Equivalents (as defined below) (ii) all of the outstanding shares of capital stock of each Borrower are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, (iii) except as set forth on Schedule 7.3(h), there are no stockholders agreements, voting agreements or other similar agreements with respect to the such Borrower's capital stock to which either Borrower is a party or, to the knowledge of either Borrower, between or among any of Borrowers' stockholders, (iv) no Person has any right to cause either Borrower to effect the registration under the Securities Act of any securities of either Borrower or any of its subsidiaries and (v) neither Borrower has any subsidiaries.

8. Events of Default. The occurrence of any of the following shall constitute an Event of Default hereunder:

- 8.1 Failure to Pay. The Borrowers fail to pay any principal amount of or interest on the Loan when due.

- 8.2 Breach of Covenants. Except for matters addressed in Sections 8.1, 8.3 or 8.4 hereof, the Borrowers fail to observe or perform any covenant, condition or agreement contained in this Note, and such failure continues for thirty (30) days.

- 8.3 Bankruptcy. Either Borrower files a petition in bankruptcy or under any similar insolvency Law, makes of an assignment for the benefit of creditors, if any petition in bankruptcy or under any similar insolvency Law is filed against either Borrower and such petition is not dismissed within thirty (30) days after the filing thereof, or either Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

8.4 Judgments. One or more judgments, orders, decisions or decrees shall be entered against any Borrower and all of such judgments, orders, decisions or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof.

9. Remedies.

9.1 Remedies. Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Lender(s) holding a majority of the outstanding principal amount of the Note may at its option, (a) declare the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, immediately due and payable, and/or (b) exercise any or all of its rights, powers or remedies under applicable Law, including, without limitation, the rights of a secured party under the UCC; provided, however that, if an Event of Default described in Section 8.3 shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable without any notice, declaration or other act on the part of the Lender. The Borrowers waive demand, notice of Default or dishonor, notice of payment and nonpayment, notice of any Default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Lender on which the Borrowers are liable.

9.2 Other Rights. In addition to all other rights, options and remedies granted to the Lender under this Note (each of which is also then exercisable by the Lender), the Lender may, upon the occurrence of an Event of Default, exercise any other rights granted to the Lender under the UCC and any other applicable Law, including, without limitation, each and all of the following rights and remedies:

- (a) the right to take possession of, send notices, and collect directly the Collateral, with or without judicial process (including, without limitation the right to notify the United States postal authority to redirect all mail addressed to the Borrowers to an address designated by the Lender).
- (b) by the Lender's own means or with judicial assistance, enter the Borrowers' premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on such premises without any liability for rent, storage, utilities or other sums, and the Borrowers shall not resist or interfere with such action.
- (c) require the Borrowers at its expense to assemble all or any part of the Collateral and make it available to the Lender at any place designated by the Lender.

9.3 Notice of Sale; Non-Interference. The Borrowers hereby agrees that a notice received by it at least ten (10) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. The Borrowers covenant and agree not to interfere with or impose any obstacle to a Lender's exercise

of its rights and remedies with respect to the Collateral after the occurrence of an Event of Default hereunder.

- 9.4 No Obligation. The Lender shall have no obligation to prepare the Collateral for sale, including repair of damaged Collateral or completion of work in progress into finished goods for disposition.
- 9.5 Other Provisions. If the Lender sell any of the Collateral upon credit, the Borrowers will only be credited with payments actually made by the purchaser thereof that are received by the Lender. The Lender may, in connection with any sale of the Collateral, specifically disclaim any warranties of title, possession, quiet enjoyment or the like. In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which the Lender is legally entitled, the Borrowers shall be liable for the deficiency, together with interest thereon at the highest rate allowed by applicable Law for interest on overdue principal thereof or such other rate as shall be fixed by applicable Law, together with the costs of collection and the reasonable fees, costs, expenses and other charges of any attorneys employed by a Lender to collect such deficiency.
- 9.6 Order; Remedies Cumulative. The Lender shall have the right to proceed against all or any portion of the Collateral in any order. All rights and remedies granted the Lender hereunder and under any agreement referred to herein, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and the Lender may proceed with any number of remedies at the same time until all obligations under this Note are satisfied in full.
- 9.7 No Duties. The powers conferred on the Lender in this Section 9 are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.
- 9.8 FCC Compliance. Notwithstanding anything to the contrary contained herein or in any other agreement, instrument or document executed in connection herewith, no party hereto shall take any actions hereunder that would constitute or result in a transfer or assignment of any FCC License or a change of control over such FCC License requiring the prior approval of the FCC without first obtaining such prior approval of the FCC. In addition, the parties acknowledge that the voting rights of any equity interests shall remain with the relevant Borrower thereof even upon the occurrence and during the continuance of an Event of Default until the FCC shall have given its prior consent to the exercise of stockholder rights by a purchaser at a public or private sale of such equity interests or the exercise of such rights by the Lender or by a receiver, trustee, conservator or other agent duly appointed pursuant to applicable law.

10. Indemnification.

- 10.1 Generally. The Borrowers hereby agree to indemnify and hold harmless the Lender and its Affiliates, and each of their respective direct and indirect directors, managers, officers, members, beneficiaries, partners, employees, agents, advisors, representatives, attorneys, successors and assigns (each an “**Indemnified Person**”) to the fullest extent permitted by Law, against all expenses, liabilities and losses (including, but not limited to, attorney fees, judgments, fines, fees, excise taxes or penalties) incurred or suffered by such Person (or one or more of such Person’s Affiliates) by reason of the fact that such Person is a Lender to or equityholder of the Borrowers (or an Affiliate thereof) or in connection with, arising under, resulting from, or relating to this Note or the Loan, the use of proceeds of the Note by the Borrowers or their respective subsidiaries, or the Borrowers’ obligations hereunder, including, without limitation, claims of third parties. Expenses, including attorneys’ fees and expenses, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Borrowers in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Borrowers. The right to indemnification and the advancement of expenses conferred in this Section 10.1 shall survive payment in full of this Note and shall not be exclusive of any other right which the Lender may have or hereafter acquire under any statute, agreement, Law, or otherwise. This Section 10.1 shall not apply with respect to taxes other than any taxes that represent losses, claims, damages, etc. arising from any non-tax claim.
- 10.2 Savings Clause. If this Section 10 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Borrowers shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 10 to the fullest extent permitted by any applicable portion of this Section 10 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

11. Miscellaneous.

11.1 Notices.

- (a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:
- (i) If to the Borrowers:
- HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.

HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

(ii) If to the Lender:

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(b) Notices are deemed received (i) when delivered, if personally delivered, (ii) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

11.2 Governing Law. THIS NOTE AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS NOTE AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

11.3 Submission to Jurisdiction. Each Borrower hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Note may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Borrower in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment. Nothing in this Section 11.3 shall affect the right of the Lender to (i) commence legal proceedings or otherwise sue the Borrowers in any other court having jurisdiction over the Borrowers or (ii) serve process upon the Borrowers in any manner authorized by the Laws of any such jurisdiction.

11.4 Venue. The Borrowers irrevocably and unconditionally waive, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note in

any court referred to in Section 11.3 and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

- 11.5 Waiver of Jury Trial. EACH BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.
- 11.6 Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Note and the Agreement Re: Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Note.
- 11.7 Costs. The Borrowers agree to pay to the Lender the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Lender, including legal fees, in connection with (a) preparation, negotiation, and execution of this Note and any other documents executed in connection herewith, (b) the transactions contemplated by this Note, including, but not limited to amendments to this Note, and any other document executed in connection herewith, (c) monitoring the Lender’s rights with respect to the obligations under this Note, and (d) enforcement or collection of this Note or any rights hereunder, in each case, including reasonable attorneys’ fees, expenses, and court costs through all appellate proceedings.
- 11.8 Successors and Assigns. The Borrowers may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Lender. Except for an assignment or transfer of this Note to one of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by the Agreement Re: Secured Notes, to one of its affiliates), the Lender may not otherwise assign or transfer this Note or any of its rights hereunder without the prior written consent of the Borrowers. This Note shall inure to the benefit of, and be binding upon, the Borrowers’ and the Lender’s respective permitted assigns.
- 11.9 Waiver of Notice. The Borrowers hereby waive demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity and diligence in taking any action to collect sums owing hereunder.
- 11.10 Interpretation. For purposes of this Note: (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,”

“hereto” and “hereunder” refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

- 11.11 Amendments and Waivers. No term of this Note may be waived, modified or amended except by an instrument in writing signed by all of the Parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.
- 11.12 Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.
- 11.13 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.
- 11.14 Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties hereto shall negotiate in good faith to modify this Note 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 greatest extent possible.
- 11.15 Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrowers have executed this Note as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to Secured Note]

Accepted and agreed:

ARENA LIMITED SPV, LLC,
as the Lender

By: /s/ Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signer

[Signature Page to Secured Note]

ANNEX I

SCHEDULE OF LENDERS

Lender	Jurisdiction of Organization	Principal Amount
Arena Limited SPV, LLC	Delaware	\$5,375,000

SCHEDULE 7.2(e)

PERMITTED ASSET SALES

None.

SCHEDULE 7.2(i)

EXCLUDED AGREEMENTS

- (1) Shared Services Agreement, dated December 13, 2017, by and among HC2 Broadcasting Holdings Inc., HC2 Broadcasting Inc., HC2 LPTV Holdings, Inc., HC2 Station Group, Inc. and HC2 Network Inc.

SCHEDULE 7.3(d)

ACTIONS, ORDERS, PROCEEDINGS, INVESTIGATIONS

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

SSCHEDULE 7.3(f)

TAXES

None.

SCHEDULE 7.3(g)

[Reserved]

SCHEDULE 7.3(h)

CAPITALIZATION

HC2 Station Group, Inc.

Common Stock

Total Authorized: 100 shares of Common Stock, \$.001 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Intermediate Holdings Inc.	100	100%
Total Issued	100	100.00%

HC2 LPTV Holdings, Inc.

Common Stock

Total Authorized: 100 shares of Common Stock, \$.001 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Intermediate Holdings Inc.	100	100%
Total Issued	100	100.00%

SECURED NOTE

US \$5,375,000 September 10, 2019

FOR VALUE RECEIVED, **HC2 Station Group, Inc.**, a Delaware corporation, and **HC2 LPTV Holdings, Inc.**, a Delaware corporation (collectively, the “**Subsidiary Borrowers**”), **HC2 Broadcasting Holdings Inc.**, a Delaware corporation (the “**Parent Borrower**” and, together with the Subsidiary Borrowers, the “**Borrowers**” and each, a “**Borrower**”) hereby unconditionally promise, severally and jointly, to pay to each entity listed on Annex I hereto (the “**Lender**”), or its registered assigns, Five Million Three Hundred Seventy Five Thousand Dollars (\$5,375,000), together with interest on the unpaid principal balance of this Secured Note (this “**Note**”) outstanding from time to time at a rate equal to Eight and a Half percent (8.50%) (computed on the basis of the actual number of days elapsed in a 365-day year) per annum (the “**Interest Rate**”).

1. **Definitions.** Capitalized terms used herein shall have the meanings set forth in this Section 1.

1.1 “**Additional Collateral**” means:

- (a) All FCC Licenses and all proceeds from the sale, lease, assignment or transfer of such FCC Licenses to a third party to the fullest extent that the creation of a security interest in any such FCC License would be permitted by applicable Law as in effect in any applicable jurisdiction, including after giving effect to Section 9-408 of the Uniform Commercial Code as in effect in any applicable jurisdiction;
 - (b) all accounts, chattel paper, deposit accounts, documents, equipment, general intangibles, payment intangibles, software, commercial tort claims, instruments, inventory, investment property, letter of credit rights, letters of credit, money and any supporting obligations related to any of the foregoing (each as defined in the Uniform Commercial Code of the State of New York (“**UCC**”));
 - (c) all books and records pertaining to the property described in this Section;
 - (d) all Intellectual Property pertaining to the property described in this Section; and
 - (e) to the extent not otherwise included, all proceeds of the foregoing in whatever form, including, without limitation any insurance, indemnity, warranty or guaranty payable with respect to any Additional Collateral, any awards or payments due or payable in connection with any condemnation, requisition, confiscation, seizure or forfeiture of any Additional Collateral by any person acting under Governmental Authority or color thereof, and any damages or other amounts payable to Borrowers in connection with any lawsuit regarding any of the Additional Collateral.
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- 1.2 “**Affiliate**” means as to any Person, any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote ten (10%) percent or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.
- 1.3 “**Agreement Re: Secured Notes**” means the Seventh Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of September 10, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.
- 1.4 “**Borrower**” and “**Borrowers**” have the meaning set forth in the introductory paragraph.
- 1.5 “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by Law to close.
- 1.6 “**Capital Lease**” means any lease of personal property, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP, provided that if any operating lease is reclassified as a capital lease under GAAP subsequent to the date hereof or, if a lease entered into subsequent to the date hereof would have been classified as an operating lease if it existed on the date hereof, then such leases shall continue to be treated as an operating lease for all purposes hereunder.
- 1.7 “**Capital Lease Obligations**” means the obligations of lessee relating to a Capital Lease determined in accordance with GAAP.
- 1.8 “**Collateral**” means, collectively, the Pledged Stock and the Additional Collateral.
- 1.9 “**Common Stock Equivalents**” means any securities of a Borrower or its subsidiaries which would entitle the holder thereof to acquire at any time common stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, common stock.
- 1.10 “**Copyright**” means all domestic and foreign copyrights, whether registered or not or the subject of a pending application, owned by the Borrowers, all applications, registrations and recordings thereof, and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof.

- 1.11 “**Default**” means any of the events specified in Section 8 which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to Section 8 would, unless cured or waived, become an Event of Default.
- 1.12 “**Default Rate**” means, at any time, a rate per annum equal to the Interest Rate plus 2.00% per annum.
- 1.13 “**Event of Default**” has the meaning set forth in Section 8.
- 1.14 “**FCC Licenses**” means licenses, permits, and other authorizations granted by the Federal Communications Commission.
- 1.15 “**First Omnibus Amendment**” means the First Omnibus Amendment to Secured Notes, dated as of May 3, 2019, among the Borrowers, the lenders party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.
- 1.16 “**GAAP**” means generally accepted accounting principles in effect in the United States of America as in effect on the date of this Note applied on a consistent basis.
- 1.17 “**Governmental Authority**” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government.
- 1.18 “**Great American Notes**” means the US \$35,000,000 secured note, dated as of August 7, 2018, and the US \$7,500,000 secured note, dated as of January 22, 2019, each among the Borrowers and the Initial Lenders, each as amended by the Omnibus Amendments.
- 1.19 “**Indemnified Person**” has the meaning set forth in Section 10.1.
- 1.20 “**Initial Lender**” and “**Initial Lenders**” means Great American Life Insurance Company, an Ohio corporation, and Great American Insurance Company, an Ohio corporation, and their respective successors and permitted assigns under the Great American Notes.
- 1.21 “**Intellectual Property**” means all intangible assets, intellectual property, Copyrights, Trademarks, and Patents.
- 1.22 “**Interest Payment Date**” means earlier of (a) the Maturity Date and (b) with respect to any portion of the Note that is prepaid prior to the Maturity Date, the applicable prepayment date.
- 1.23 “**Interest Rate**” has the meaning set forth in the introductory paragraph.

- 1.24 “**Law**” as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.
- 1.25 “**Lender**” and “**Lenders**” has the meaning set forth in the introductory paragraph.
- 1.26 “**Lien**” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.
- 1.27 “**Loan**” means the principal amount outstanding under this Note together with accrued interest thereon.
- 1.28 “**Material Adverse Change**” means a material adverse change in, or a material adverse effect upon, (a) the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrowers, taken as a whole; (b) the validity or enforceability of this Note; (c) the ability of the Borrowers, taken as a whole, to perform their obligations under this Note or (d) any right or remedy of a Lender under this Note.
- 1.29 “**Maturity Date**” means the earlier of (a) September 30, 2019 and (b) the date on which all amounts under this Note shall become due and payable.
- 1.30 “**Note**” has the meaning set forth in the introductory paragraph.
- 1.31 “**Omnibus Amendments**” means the First Omnibus Amendment and the Agreement Re: Secured Notes.
- 1.32 “**Operating Documents**” are, for any Person, such Person’s formation documents, as certified by the Secretary of State (or equivalent agency) of such Person’s jurisdiction of organization on a date that is no earlier than thirty (30) Business Days prior to the delivery thereof, certificate of incorporation, bylaws, or similar governing agreement with all current amendments or modifications thereto.
- 1.33 “**Operating Subsidiaries**” means, collectively, HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network Inc. and HC2 LPTV Holdings, Inc., each a Delaware corporation.
- 1.34 “**Parent**” means HC2 Broadcasting Intermediate Holdings Inc., a Delaware corporation.
- 1.35 “**Parent Borrower**” has the meaning set forth in the introductory paragraph.
- 1.36 “**Parties**” means the Lender and the Borrowers.

- 1.37 **“Patents”** means all domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, and other general intangibles of like nature, whether now existing or hereafter acquired, all applications, registrations and recordings thereof, and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, in each case, to the extent owned by the Borrowers.
- 1.38 **“Permitted Indebtedness”** means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$64,700,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).
- 1.39 **“Person”** means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.
- 1.40 **“Permitted Liens”** means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

- 1.41 “**Pledged Stock**” means all shares of capital stock issued by each of the Operating Subsidiaries, any certificates evidencing any such shares, and any distribution of property and dividends made on, in respect of or in exchange for the foregoing from time to time.
- 1.42 “**Purchase Money Obligation**” means, for any Person, the obligations of such Person in respect of indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any fixed or capital assets or the cost of installation, construction or improvement of any fixed or capital assets; provided, however, that (i) such indebtedness is incurred within 30 days after such acquisition, installation, construction or improvement of such fixed or capital assets by such Person and (ii) the amount of such indebtedness does not exceed the lesser of 100% of the fair market value of such fixed or capital asset or the cost of the acquisition, installation, construction or improvement thereof, as the case may be.
- 1.43 “**Subsidiary Borrowers**” has the meaning set forth in the introductory paragraph.
- 1.44 “**Trademarks**” means all domestic and foreign trademarks, service marks, collective marks, certification marks, trade names, business names, d/b/a’s, internet domain names, trade styles, designs, logos and other source or business identifiers and all general intangibles of like nature, which are the subject of a pending application, or now or hereafter owned, by the Borrowers, all applications, registrations and recordings thereof, and all reissues, extensions or renewals thereof, together with all goodwill of the business symbolized thereby.

2. Disbursement Mechanics; Conditions to Disbursement.

- 2.1 Disbursement. The entire principal amount of the Note will be disbursed on the date of this Note. The Borrowers shall not have the right to redraw any amount prepaid hereunder.
- 2.2 Conditions to Disbursement. Each Lender’s obligation to make the disbursement of the principal sums set forth on Annex I hereto on the date hereof is subject to the condition precedent that such Lender shall have received, in form and substance satisfactory to such Lender, such documents, and the completion of such other matters, as such Lender may reasonably deem necessary or appropriate, including, without limitation:
- (a) this Note duly executed; and
 - (b) the Operating Documents and a good standing certificate of each Borrower certified by the Secretary of State of the State of Delaware as of a date no earlier than thirty (30) Business Days prior to the date hereof, together with duly authorized resolutions of the board of directors for each Borrower in form and substance acceptable to the Lender in its sole discretion.

3. Interest.

- 3.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of the Note shall bear interest at the Interest Rate from the date hereof until the Note is paid in full, whether at maturity, upon prepayment or acceleration, or otherwise.
- 3.2 Interest Payment. Interest shall be due and payable on the Interest Payment Date. All interest, if any, that may accrue after the Maturity Date shall be payable on demand.
- 3.3 Default Interest. If any amount payable hereunder (including, without limitation, interest and principal) is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.
- 3.4 Computation of Interest. All computations of interest shall be made on the basis of a year of 365 days, and the actual number of days elapsed. Interest shall accrue on the date hereof, and shall not accrue on the day on which the Loan is paid.
- 3.5 Interest Rate Limitation. In no event whatsoever shall the amount of interest charged, taken or received hereunder exceed the maximum amount permitted by Law. If at any time and for any reason whatsoever, the Interest Rate payable under this Note shall exceed the maximum rate of interest permitted to be charged by the Lender to the Borrowers under applicable Law, such interest rate shall be reduced automatically to the maximum rate of interest permitted to be charged under applicable Law, and that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest permitted by applicable Law shall be deemed a voluntary prepayment of principal.

4. Final Payment Date; Prepayment.

- 4.1 Final Payment Date. The aggregate of the unpaid principal, all accrued and unpaid interest, and all other amounts payable, but unpaid, under this Note shall be due and payable on the Maturity Date.
- 4.2 Prepayment.
- (a) [Reserved].
- (b) The Borrowers may on any one or more occasions voluntarily prepay the Note in whole or in part at a prepayment price equal to 100% of the principal amount of the Note, plus accrued and unpaid interest on the principal amount of the Note being prepaid to, but not including, the date of prepayment.

- (c) Any such prepayment will be preceded by at least five (5) Business Day's prior written notice, with such notice specifying the planned prepayment date. Any such notice may be conditional.

5. Payment Mechanics.

- 5.1 Manner of Payments. All payments of interest and principal shall be made in lawful money of the United States of America on the date on which such payment is due by wire transfer of immediately available funds to the applicable Lender's account at a bank specified by such Lender in writing to the Borrowers from time to time. All payments hereunder shall be made without deduction or setoff of any kind, provided however, that if applicable Law requires the Borrowers to withhold or deduct any tax, levy or fee of any kind, such tax shall be withheld or deducted in accordance with such law. If the Borrowers' are required to deduct any amount in respect of any tax, levy or fee of any kind, the Borrowers' shall pay such additional amount so that, after deduction of any required amount, the Lender receives the full amount due hereunder; provided, however, the Borrowers shall not be required to pay any additional amounts with respect to taxes, levies or fees imposed on or measured by net income (however denominated) and similar taxes, levies or fees imposed on or measured by net income (however denominated).
- 5.2 Application of Payments. All partial payments made hereunder shall be applied first to the payment of any fees or charges outstanding hereunder, second to accrued but unpaid interest, and third to the payment of the principal amount outstanding under this Note.
- 5.3 Business Day Convention. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.
- 5.4 Rescission of Payments. If at any time any payment made by the Borrowers under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise, the Borrowers' obligation to make such payment shall be reinstated as though such payment had not been made.
- 5.5 Right of Contribution. If any payment is made under this Note by a Borrower, including pursuant to a collection under Section 9:
 - (a) Subject to Section 5.5(c), such Borrower shall be entitled to contribution in respect of such payment and shall be entitled to demand and enforce contribution in respect of such payment from each other Borrower which has not paid its fair share of such payment, as necessary to ensure that (after giving effect to any enforcement of reimbursement rights provided hereby) each Borrower pays its fair share of such payment.

- (b) If and whenever any right of reimbursement or contribution becomes enforceable by any Borrower against the other Borrowers, such Borrower shall be entitled, subject to and upon (but not before) the indefeasible payment in full to the Lender by of all of the outstanding obligations of the Borrowers under this Note, to be subrogated to the security interest that may then be held by the Lender upon the Collateral securing or purporting to secure the Note. If subrogation is demanded by any Borrower, then, after discharge of the Note following payment in full to the Lender by of all of the outstanding obligations of the Borrowers under this Note, the Lender shall deliver to the Borrower making such demand (at the cost of such Borrower) an instrument satisfactory to the Lender transferring, on a quitclaim basis without any recourse, representation, warranty or any other obligation whatsoever, whatever security interest the Lender then may hold in the Collateral securing the Note.
- (c) All rights and claims arising under this Section 5.5 shall be fully subordinated to the rights of the Lender under this Note prior to the indefeasible payment in full to Lender of the principal amount of, and interest on, the Note and the payment in full of all other outstanding obligations of the Borrowers under this Note. Prior to such payment, no Borrower may demand, enforce or receive any collateral security, payment or distribution whatsoever on account of any such right or claim.

6. Security Interest; Intercreditor Matters.

- 6.1 Grant. Subject to the Agreement Re: Secured Notes, the Parent Borrower, as collateral security for the prompt and complete payment and performance when due of the obligations of the Borrowers hereunder, whether now existing or hereafter incurred, matured or unmatured, direct or indirect, primary or secondary or due or to become due, hereby grants to the Lenders a lien on and security interest in all of Parent Borrower's right, title and interest, whether now owned or hereafter acquired, in the Pledged Stock. Subject to the Agreement Re: Secured Notes, each Subsidiary Borrower, as collateral security for the prompt and complete payment and performance when due of the obligations of the Borrowers hereunder, whether now existing or hereafter incurred, matured or unmatured, direct or indirect, primary or secondary or due or to become due, hereby grants to the Lender a lien on and security interest in, all of such Subsidiary Borrower's right, title and interest in, to and under the Additional Collateral, whether now owned or hereafter acquired.
- 6.2 Filings. Subject to the Agreement Re: Secured Notes, if either the Great American Notes have been repaid, discharged, defeased or otherwise paid in full or if otherwise permitted by the Initial Lenders, each Borrower hereby authorizes the Lender to file, in any filing office as "Secured Party", (a) financing statements, amendments to financing statements, and continuations thereof without such Borrower's signature in accordance with the UCC and (b) financing statements and amendments to financing statements describing the Collateral as the Lender determines in its sole discretion, including financing statements listing "All Assets" in the collateral description therein.

6.3 Further Assurances; Expenses. Subject to the Agreement Re: Secured Notes, each Borrower shall (a) promptly, upon the reasonable request of the Lender, and at the Borrowers' expense, execute, acknowledge and deliver, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Note or otherwise necessary or deemed by the Lender reasonably desirable for the continued validity, enforceability, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except Permitted Liens, or obtain any consents or waivers as may be necessary or appropriate in connection therewith; and

- (a) Deliver or cause to be delivered to the Lender from time to time such other documentation, instruments, consents, authorizations and approvals in form and substance reasonably satisfactory to the Lender as the Lender shall reasonably deem necessary or advisable to perfect or maintain the validity, enforceability, perfection and priority of the Liens on the Collateral pursuant to the Note. Upon payment in full to Lender by the Borrowers of all of the outstanding obligations of the Borrowers under this Note, the Lender shall take all action and execute and deliver all documents to immediately discharge and release all Liens granted under this Note.

6.4 Agreement Re: Secured Notes. This Note is subject to the Agreement Re: Secured Notes, and the "Lender" hereunder shall be deemed to be an "Additional Lender" under and as defined in the Agreement Re: Secured Notes. In the event of any conflict between this Note and the Agreement Re: Secured Notes, the Agreement Re: Secured Notes shall govern and be controlling.

7. Covenants and Representations and Warranties.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that it shall:

- (a) commencing with the fiscal quarter ending September 30, 2019 (if applicable), provide, or shall cause to be provided, to the Lender, as soon as available, but in any event within 90 days after the end of each fiscal quarter of each Borrowers and 120 days after the fiscal year of each Borrower, a balance sheet of each Borrower as at the end of such fiscal quarter or year, and the related statements of income or operations, shareholders' equity and cash flows for such fiscal quarter or year all in reasonable detail and prepared in accordance with GAAP (subject, in the case of quarterly statements, to usual year-end adjustments and the absence of full notes and deferred tax disclosure) together with a certification from an officer of each Borrower that such statements fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of each Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

- (b) provide to the Lender, promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority affecting Borrowers or any of their assets that has a claim for damages in excess of \$1,000,000 or that could otherwise result in a cost, expense or loss to Borrowers in excess of \$1,000,000;
- (c) provide to the Lender immediate written notice of any event, development of circumstance that would (with the passage of time or the giving of notice or both) constitute an Event of Default or that has had a Material Adverse Change;
- (d) provide to the Lender such other information respecting the business, operations, or property of Borrowers, financial or otherwise, as such Lender may reasonably request.
- (e) comply with, and require all of its subsidiaries, to comply with, all federal, state, and local laws and regulations, which are applicable to the operations and property of borrowers and maintain all related permits necessary for the ownership and operation of Borrowers' property and business.
- (f) pay all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, such Borrower's personal property, equipment and inventory (other than taxes the amounts of which are not material and do not constitute a Lien on such Borrower's property that is not a Permitted Lien), except to the extent the validity thereof is being contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves in accordance with GAAP, have been set aside for the payment thereof.
- (g) at its own expense, maintain insurance (including, without limitation, comprehensive general liability and property insurance) with respect to the real and personal property of such Borrower in such amounts, against such risks, in such form and with responsible and reputable insurance companies or associations as is required by any Governmental Authority, contracts to which each Borrower is a party, or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and otherwise in amounts and with carriers reasonably acceptable to the Lender and the Lender shall be named as the sole loss payee with respect to all insurance relating to loss of any Collateral and shall be included as an additional insured under each liability policy.

- (h) comply with all agreements with the Lender under this Note.
- (i) comply with all applicable Laws in all material respects.
- (j) pay all material obligations as they become due.
- (k) permit the Lender access to the Collateral and otherwise provide such information as the Lender shall reasonably request.
- (l) use the net proceeds of the Note to pay fees, costs and expenses related to the Note, including interest and principal payments, to pay the cash consideration for acquisitions, including fees, costs and expenses related to such acquisitions, to pay dividends or make other distributions to the Parent Borrower or Parent, and for general corporate purposes.

7.2 Restrictions. Each Borrower covenants and agrees that it shall not without the prior written consent of the Lender:

- (a) permit any other Lien of any kind to attach to or be imposed upon any of the Collateral except for Permitted Liens.
- (b) incur any indebtedness other than Permitted Indebtedness and accounts payable incurred in the ordinary course on customary terms.
- (c) change its legal name, form of legal entity, or jurisdiction of organization.
- (d) make or pay or declare any dividends, return any capital, or make any other payment of cash or distribution of property on account of its equity interests, except for any such dividends or distributions made by one Borrower that are substantially concurrently invested in the common equity capital of, or contributed to the equity capital of, the other Borrower, and as set forth under Section 7.1(l) or purchase or acquire any of its own equity interests
- (e) operate outside the ordinary course of business consistent with past practice (it being understood and agreed that, for absence of doubt, the ordinary course of the Borrowers' business consistent with past practice includes the consummation of acquisitions of broadcasting businesses and assets and related businesses and assets) or make any investment in, or acquire all or substantially all of the assets of any other person or entity (including, without limitation, any subsidiary) outside the ordinary course of business consistent with past practice (it being understood and agreed that, for absence of doubt, the ordinary course of the Borrowers' business consistent with past practice includes the consummation of acquisitions of broadcasting businesses and assets and related businesses and assets).

- (f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000.
- (g) sell, transfer, lease, change the registration, if any, dispose of, attempt to dispose of, modify, amend or abandon the Collateral, including the FCC Licenses, except to the extent mandated by the FCC pursuant to a consent decree, agreement or order entered into with the FCC after the date of this Note and approved by the Lender or otherwise applicable to other similarly situated holders of FCC Licenses; provided, however, that, the Borrowers may (i) change the registration (other than in connection with a sale or transfer), amend or modify FCC Licenses in the ordinary course of business consistent with past practice; (ii) change the registration (other than in connection with a sale or transfer), amend or modify an FCC License if such change of registration, amendment or modification would be reasonably expected to preserve or increase the value of such FCC License; (iii) abandon any FCC License which has a nominal value (taking into account the intended use of such License to any Borrower) or which is duplicative with other FCC Licenses owned by the Borrowers; or (iv) exchange an FCC License and any assets related to such FCC License with a fair market value not to exceed \$5,000,000 for assets in an amount not less than the fair market value of the FCC License and related assets being exchanged, in the case of clause (iii) or (iv) if such transaction exceeds \$100,000, as determined by the board of directors of the applicable Borrower.
- (h) in any single transaction or series of transactions, directly or indirectly (1) wind up its affairs, liquidate or dissolve or (2) be a party to any merger or consolidation.
- (i) enter into or permit to exist any transaction or series of transactions (including, but not limited to, the purchase, sale, lease or exchange of property, the making of any investment, the giving of any guaranty, the assumption of any obligation or the rendering of any service) with any of its Affiliates (other than transactions between the Borrowers); provided, that the restrictions in this Section 7.2(i) shall not apply to: (a) any transaction or series of transactions for fair value that is on terms no less favorable to such Borrower than those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate and in connection therewith such Borrower provide written notice to the Lender at least 3 Business Days prior to the consummation of such transaction (which such notice shall include all material terms and conditions of such transaction), (b) any other transaction or series of transactions approved by Lender and (c) the agreements set forth in Schedule 7.2(i) (to the extent performed in accordance with past practice).

7.3 Representations and Warranties. As an inducement for the transactions in connection with this Note, each Borrower shall cause the following representations and warranties to be true until the indebtedness under this Note is discharged in full:

- (a) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.
- (b) Each Borrower has full power and authority to execute and deliver this Note and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Note, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.
- (c) This Note constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.
- (d) Except as disclosed to the Lender in writing and acknowledged by the Lender prior to the date of this Note as set forth on Schedule 7.3(d) hereto, (1) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower, threatened before any court or Governmental Authority, agency or arbitration authority that could result in a Material Adverse Change or (2) there is no material outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.
- (e) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note.
- (f) Except as set forth on Schedule 7.3(f) hereto or as would not result in a Material Adverse Change, all taxes and assessments due and payable by each Borrower have been paid or are being contested in good faith by appropriate proceedings and such Borrower has filed all tax returns which it is required to file.
- (g) [Reserved].

- (h) Each Borrower's chief executive office is located at its address for notice herein.

- (i) On the date of this Agreement, (i) the capitalization of each Borrower is as set forth on Schedule 7.3(h), which Schedule 7.3(h) shall also include the number of shares of common stock of each Borrower outstanding as of the date hereof. No Person has any right of first refusal, preemptive right, right of participation, or any similar right in respect of the capital stock of such Borrower or any subsidiary of either Borrower. Except as set forth on Schedule 7.3(h), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of common stock, or contracts, commitments, understandings or arrangements by which each Borrower or any of its subsidiaries is or may become bound to issue additional shares of common stock or Common Stock Equivalents (as defined below) (ii) all of the outstanding shares of capital stock of each Borrower are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, (iii) except as set forth on Schedule 7.3(h), there are no stockholders agreements, voting agreements or other similar agreements with respect to the such Borrower's capital stock to which either Borrower is a party or, to the knowledge of either Borrower, between or among any of Borrowers' stockholders, (iv) no Person has any right to cause either Borrower to effect the registration under the Securities Act of any securities of either Borrower or any of its subsidiaries and (v) neither Borrower has any subsidiaries.

8. Events of Default. The occurrence of any of the following shall constitute an Event of Default hereunder:

- 8.1 Failure to Pay. The Borrowers fail to pay any principal amount of or interest on the Loan when due.

- 8.2 Breach of Covenants. Except for matters addressed in Sections 8.1, 8.3 or 8.4 hereof, the Borrowers fail to observe or perform any covenant, condition or agreement contained in this Note, and such failure continues for thirty (30) days.

- 8.3 Bankruptcy. Either Borrower files a petition in bankruptcy or under any similar insolvency Law, makes of an assignment for the benefit of creditors, if any petition in bankruptcy or under any similar insolvency Law is filed against either Borrower and such petition is not dismissed within thirty (30) days after the filing thereof, or either Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

8.4 Judgments. One or more judgments, orders, decisions or decrees shall be entered against any Borrower and all of such judgments, orders, decisions or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof.

9. Remedies.

9.1 Remedies. Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Lender(s) holding a majority of the outstanding principal amount of the Note may at its option, (a) declare the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, immediately due and payable, and/or (b) exercise any or all of its rights, powers or remedies under applicable Law, including, without limitation, the rights of a secured party under the UCC; provided, however that, if an Event of Default described in Section 8.3 shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable without any notice, declaration or other act on the part of the Lender. The Borrowers waive demand, notice of Default or dishonor, notice of payment and nonpayment, notice of any Default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Lender on which the Borrowers are liable.

9.2 Other Rights. In addition to all other rights, options and remedies granted to the Lender under this Note (each of which is also then exercisable by the Lender), the Lender may, upon the occurrence of an Event of Default, exercise any other rights granted to the Lender under the UCC and any other applicable Law, including, without limitation, each and all of the following rights and remedies:

- (a) the right to take possession of, send notices, and collect directly the Collateral, with or without judicial process (including, without limitation the right to notify the United States postal authority to redirect all mail addressed to the Borrowers to an address designated by the Lender).
- (b) by the Lender's own means or with judicial assistance, enter the Borrowers' premises and take possession of the Collateral, or render it unusable, or dispose of the Collateral on such premises without any liability for rent, storage, utilities or other sums, and the Borrowers shall not resist or interfere with such action.
- (c) require the Borrowers at its expense to assemble all or any part of the Collateral and make it available to the Lender at any place designated by the Lender.

9.3 Notice of Sale; Non-Interference. The Borrowers hereby agrees that a notice received by it at least ten (10) days before the time of any intended public sale or of the time after which any private sale or other disposition of the Collateral is to be made, shall be deemed to be reasonable notice of such sale or other disposition. The Borrowers covenant and agree not to interfere with or impose any obstacle to a Lender's exercise

of its rights and remedies with respect to the Collateral after the occurrence of an Event of Default hereunder.

- 9.4 No Obligation. The Lender shall have no obligation to prepare the Collateral for sale, including repair of damaged Collateral or completion of work in progress into finished goods for disposition.
- 9.5 Other Provisions. If the Lender sell any of the Collateral upon credit, the Borrowers will only be credited with payments actually made by the purchaser thereof that are received by the Lender. The Lender may, in connection with any sale of the Collateral, specifically disclaim any warranties of title, possession, quiet enjoyment or the like. In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which the Lender is legally entitled, the Borrowers shall be liable for the deficiency, together with interest thereon at the highest rate allowed by applicable Law for interest on overdue principal thereof or such other rate as shall be fixed by applicable Law, together with the costs of collection and the reasonable fees, costs, expenses and other charges of any attorneys employed by a Lender to collect such deficiency.
- 9.6 Order; Remedies Cumulative. The Lender shall have the right to proceed against all or any portion of the Collateral in any order. All rights and remedies granted the Lender hereunder and under any agreement referred to herein, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and the Lender may proceed with any number of remedies at the same time until all obligations under this Note are satisfied in full.
- 9.7 No Duties. The powers conferred on the Lender in this Section 9 are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.
- 9.8 FCC Compliance. Notwithstanding anything to the contrary contained herein or in any other agreement, instrument or document executed in connection herewith, no party hereto shall take any actions hereunder that would constitute or result in a transfer or assignment of any FCC License or a change of control over such FCC License requiring the prior approval of the FCC without first obtaining such prior approval of the FCC. In addition, the parties acknowledge that the voting rights of any equity interests shall remain with the relevant Borrower thereof even upon the occurrence and during the continuance of an Event of Default until the FCC shall have given its prior consent to the exercise of stockholder rights by a purchaser at a public or private sale of such equity interests or the exercise of such rights by the Lender or by a receiver, trustee, conservator or other agent duly appointed pursuant to applicable law.

10. Indemnification.

- 10.1 Generally. The Borrowers hereby agree to indemnify and hold harmless the Lender and its Affiliates, and each of their respective direct and indirect directors, managers, officers, members, beneficiaries, partners, employees, agents, advisors, representatives, attorneys, successors and assigns (each an “**Indemnified Person**”) to the fullest extent permitted by Law, against all expenses, liabilities and losses (including, but not limited to, attorney fees, judgments, fines, fees, excise taxes or penalties) incurred or suffered by such Person (or one or more of such Person’s Affiliates) by reason of the fact that such Person is a Lender to or equityholder of the Borrowers (or an Affiliate thereof) or in connection with, arising under, resulting from, or relating to this Note or the Loan, the use of proceeds of the Note by the Borrowers or their respective subsidiaries, or the Borrowers’ obligations hereunder, including, without limitation, claims of third parties. Expenses, including attorneys’ fees and expenses, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Borrowers in advance of the final disposition of such proceeding, including any appeal therefrom, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Borrowers. The right to indemnification and the advancement of expenses conferred in this Section 10.1 shall survive payment in full of this Note and shall not be exclusive of any other right which the Lender may have or hereafter acquire under any statute, agreement, Law, or otherwise. This Section 10.1 shall not apply with respect to taxes other than any taxes that represent losses, claims, damages, etc. arising from any non-tax claim.
- 10.2 Savings Clause. If this Section 10 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Borrowers shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 10 to the fullest extent permitted by any applicable portion of this Section 10 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

11. Miscellaneous.

11.1 Notices.

- (a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:
- (i) If to the Borrowers:
- HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.

HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

(ii) If to the Lender:

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(b) Notices are deemed received (i) when delivered, if personally delivered, (ii) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

- 11.2 Governing Law. THIS NOTE AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS NOTE AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.
- 11.3 Submission to Jurisdiction. Each Borrower hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Note may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Borrower in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment. Nothing in this Section 11.3 shall affect the right of the Lender to (i) commence legal proceedings or otherwise sue the Borrowers in any other court having jurisdiction over the Borrowers or (ii) serve process upon the Borrowers in any manner authorized by the Laws of any such jurisdiction.
- 11.4 Venue. The Borrowers irrevocably and unconditionally waive, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note in

any court referred to in Section 11.3 and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

- 11.5 Waiver of Jury Trial. EACH BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.
- 11.6 Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Note and the Agreement Re: Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Note.
- 11.7 Costs. The Borrowers agree to pay to the Lender the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Lender, including legal fees, in connection with (a) preparation, negotiation, and execution of this Note and any other documents executed in connection herewith, (b) the transactions contemplated by this Note, including, but not limited to amendments to this Note, and any other document executed in connection herewith, (c) monitoring the Lender’s rights with respect to the obligations under this Note, and (d) enforcement or collection of this Note or any rights hereunder, in each case, including reasonable attorneys’ fees, expenses, and court costs through all appellate proceedings.
- 11.8 Successors and Assigns. The Borrowers may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Lender. Except for an assignment or transfer of this Note to one of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by the Agreement Re: Secured Notes, to one of its affiliates), the Lender may not otherwise assign or transfer this Note or any of its rights hereunder without the prior written consent of the Borrowers. This Note shall inure to the benefit of, and be binding upon, the Borrowers’ and the Lender’s respective permitted assigns.
- 11.9 Waiver of Notice. The Borrowers hereby waive demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity and diligence in taking any action to collect sums owing hereunder.
- 11.10 Interpretation. For purposes of this Note: (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,”

“hereto” and “hereunder” refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

- 11.11 Amendments and Waivers. No term of this Note may be waived, modified or amended except by an instrument in writing signed by all of the Parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.
- 11.12 Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.
- 11.13 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.
- 11.14 Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties hereto shall negotiate in good faith to modify this Note 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 greatest extent possible.
- 11.15 Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Note.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrowers have executed this Note as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to Secured Note]

Accepted and agreed:

ARENA LIMITED SPV, LLC,
as the Lender

By: /s/ Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signer

[Signature Page to Secured Note]

ANNEX I

SCHEDULE OF LENDERS

Lender	Jurisdiction of Organization	Principal Amount
Arena Limited SPV, LLC	Delaware	\$5,375,000

SCHEDULE 7.2(e)

PERMITTED ASSET SALES

None.

SCHEDULE 7.2(i)

EXCLUDED AGREEMENTS

(1) Shared Services Agreement, dated December 13, 2017, by and among HC2 Broadcasting Holdings Inc., HC2 Broadcasting Inc., HC2 LPTV Holdings, Inc., HC2 Station Group, Inc. and HC2 Network Inc.

SCHEDULE 7.3(d)

ACTIONS, ORDERS, PROCEEDINGS, INVESTIGATIONS

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

SCHEDULE 7.3(f)

TAXES

None.

SCHEDULE 7.3(g)

[Reserved]

SCHEDULE 7.3(h)

CAPITALIZATION

HC2 Station Group, Inc.

Common Stock

Total Authorized: 100 shares of Common Stock, \$.001 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Intermediate Holdings Inc.	100	100%
Total Issued	100	100.00%

HC2 LPTV Holdings, Inc.

Common Stock

Total Authorized: 100 shares of Common Stock, \$.001 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Intermediate Holdings Inc.	100	100%
Total Issued	100	100.00%

**FOURTH OMNIBUS AMENDMENT
TO
SECURED NOTES
AND
AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES**

THIS FOURTH OMNIBUS AMENDMENT TO SECURED NOTES AND AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of July 31, 2019, among HC2 Station Group, Inc., a Delaware corporation, and HC2 LPTV Holdings, Inc., a Delaware corporation (each a "Subsidiary Borrower" and, together, the "Subsidiary Borrowers"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Subsidiary Borrowers, the "Borrowers"), Great American Life Insurance Company, an Ohio corporation ("GALIC") and Great American Insurance Company, an Ohio corporation ("GAIC" and, together with GALIC, the "Initial Lenders"), Minority Brands, Inc., an Ohio Corporation ("MBI"), and Arena Limited SPV, LLC, a Delaware limited liability company (the "First-Out Lender" and, together with MBI and any other lender under any Additional Secured Note (as defined below) that becomes party to this Agreement pursuant to Section 2(a)(ii), the "Additional Lenders" and, together with the Initial Lenders, each a "Lender" and, collectively, the "Lenders" and, together with the Borrowers, each a "Party" and collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, the Borrowers have entered into the Secured Notes (as defined on Schedule I hereto) with the applicable Lender or Lenders;

WHEREAS, the Subsidiary Borrowers and the Initial Lenders previously entered into the Agreement Re: Secured Notes, dated as of January 22, 2019 (the "Original Agreement Re: Secured Notes"), which, among other things, amended certain terms of the \$35,000,000 Secured Note (as defined on Schedule I hereto), provided for the issuance of Additional Secured Notes and contained certain provisions related to the administration or disposition of the Collateral;

WHEREAS, the Borrowers and certain of the Lenders previously entered into the Omnibus Amendment to Secured Notes, dated as of May 3, 2019 (the "Original Omnibus Amendment"), to add additional Collateral to secure the Secured Notes, to add the Parent Borrower as an additional "Borrower" under the Secured Notes then outstanding, and to make certain other amendments thereto;

WHEREAS, the Borrowers and the Lenders previously entered into the Second Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of May 31, 2019 (the "Second Agreement Re: Secured Notes"), which, among other things, amended certain of the Secured Notes to permit the issuance of certain additional secured notes on the terms set forth therein, including the First-Out Secured Note (as defined on Schedule I hereto) with the First-Out Lender, dated as of May 31, 2019, amended the Maturity Date under

such Secured Notes and made certain other amendments thereto as set forth therein and amended and restated the Original Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Third Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of June 28, 2019 (the "Third Agreement Re: Secured Notes"), which, among other things, amended the Secured Notes to permit certain asset sales and extended the Maturity Date under the Secured Notes as set forth therein and amended and restated the Second Agreement Re: Secured Notes;

WHEREAS, the Borrowers wish to amend the Secured Notes to further extend the Maturity Date under the Secured Notes as set forth herein; and

WHEREAS, pursuant to this Agreement, the Parties wish to amend and restate the Third Agreement Re: Secured Notes as set forth herein, including restating the terms on which Additional Secured Notes may be issued, restating the terms related to the administration or disposition of the Collateral, and permitting the First-Out Secured Note as "First-Out Debt" and "First-Out Obligations" (each as defined herein).

Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Secured Notes.

In consideration of the premises, the mutual covenants, and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant, agree and represent, as applicable, as follows:

Section 1. Certain Amendments and Understandings with respect to the Secured Notes.

(a) Amendments.

(i) The following defined terms contained in each of the Secured Notes are hereby amended and restated in their entirety as follows:

"Maturity Date" means the earlier of (a) August 31, 2019 and (b) the date on which all amounts under this Note shall become due and payable.

"Agreement Re: Secured Notes" means the Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of July 31, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

(b) Understandings of the Parties.

(i) For greater certainty, the following defined terms contained in each of the Secured Notes (other than the First-Out Secured Note) are hereby restated in their entirety as follows:

"Permitted Indebtedness" means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral (including

“First-Out Debt,” “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$53,950,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

“**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

(ii) For greater certainty, Section 7.2(f) of each of the Secured Notes is hereby restated in its entirety as follows:

(f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000;

(iii) The definitions of “Permitted Indebtedness” and “Permitted Liens” contained in the First-Out Secured Note shall be as set forth therein.

(iv) Except as modified by this Agreement, the Original Omnibus Amendment remains in full force and effect.

Section 2. Agreement Re: Secured Notes.

(a) Issuance of Additional Secured Notes.

(i) Notwithstanding anything to the contrary herein or in the Secured Notes, without the consent of or prior notice to the Lenders, the Borrowers shall be permitted to issue one or more additional secured notes (each, an “Additional Secured Note” and, collectively, the “Additional Secured Notes”) to one or more Additional Lenders secured by the same Collateral as the Secured Notes and otherwise on substantially the same terms as the Secured Notes (including an interest rate not to exceed 8.5% per annum, a default rate not to exceed 2.0% per annum and a maturity date not earlier than the Maturity Date of each other Secured Note) to the extent permitted by the Secured Notes.

(ii) Substantially concurrently with the execution and delivery of any Additional Secured Note, each Additional Lender under such Additional Secured Note not then party hereto shall execute and deliver to the Borrowers a counterpart signature page to this Agreement, and thereby such Additional Lender shall have (i) agreed to be bound by all of the terms of this Agreement, (ii) assumed all rights and obligations of an “Additional Lender” and a “Lender” hereunder and (iii) be deemed to have made all of the representations and warranties thereof as of the date of the execution of such counterpart signature page.

(b) Collateral Matters.

(i) The obligations of each Lender under the Secured Notes or any Additional Secured Note, as applicable, shall be secured by the Collateral on a *pari passu* basis and any proceeds from the Collateral however received shall be distributed in accordance with clause (c) below.

(ii) Only the Initial Lenders may act or refrain from acting with respect to the Collateral or any proceeds therefrom. Without the express written consent of the Initial Lenders, no Additional Lender shall attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Collateral (provided, however, that the foregoing shall not prohibit any Additional Lender from taking any action to perfect its security interest in the Collateral, including by filing UCC financing statements).

(iii) Neither Initial Lender shall have by reason of this Agreement or any other related document a fiduciary relationship with respect to any Additional Lender, and each Additional Lender hereby waives and releases each Lender from all claims and liabilities arising pursuant to any Initial Lender’s role under this Agreement or any related document.

(c) Application of Proceeds.

(i) The Initial Lenders (and, to the extent permitted by Section 2(b)(ii), any Additional Lender) will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof in the following order of application:

FIRST, to the payment of any reasonable costs and expenses (including reasonable legal fees) incurred by any Initial Lender or indemnification obligations then due and payable to any Initial Lender pursuant to the Great American Secured Notes (as defined on Schedule I hereto), in each case, in connection with the administration or disposition of Collateral or any proceeds therefrom;

SECOND, to the repayment of obligations (other than Pari Passu Obligations (as defined below)) secured by a Permitted Prior Lien (as defined below) on any Collateral sold or realized upon;

THIRD, to the First-Out Lender for application to the payment of all outstanding First-Out Obligations (as defined below) that are then due and payable in an amount sufficient to discharge all First-Out Obligations;

FOURTH, after the discharge of all First-Out Obligations, to each other Lender for application to the equal and ratable payment of all other outstanding Pari Passu Obligations that are then due and payable in an amount sufficient to discharge all Pari Passu Obligations; and

FIFTH, any surplus remaining after the payment of amounts described in the preceding clauses will be paid to the Borrowers, or to such other persons as may be entitled to such amounts under applicable law or as a court of competent jurisdiction may direct.

(ii) "Excess First-Out Debt" means any obligations under First-Out Debt (other than the principal amount of, and regular installments of interest on, First-Out Debt) in excess of \$250,000.

(iii) "Excess First-Out Obligations" means Excess First-Out Debt and all other obligations in respect thereof.

(iv) "First-Out Debt" means the First-Out Secured Note; provided that, for the avoidance of doubt, Excess First-Out Debt shall constitute Pari Passu Debt and not First-Out Debt.

(v) "First-Out Obligations" means First-Out Debt and all other obligations in respect thereof; provided that, for the avoidance of doubt, Excess First-Out Obligations shall constitute Pari Passu Obligations and not First-Out Obligations.

(vi) "Pari Passu Debt" means:

- (1) all Secured Notes (other than the First-Out Secured Note);
- (2) all First-Out Debt;
- (3) any Excess First-Out Debt; and
- (4) any other indebtedness (including any Additional Secured Note) of the Borrowers that is secured equally and ratably with the Secured Notes (other than the First-Out Secured Note), the First-Out Debt and any Excess First-Out Debt by a pari passu Lien that was permitted to be incurred under this Agreement and the Secured Notes.

(vii) "Pari Passu Obligations" means Pari Passu Debt and all other obligations in respect of Pari Passu Debt, including without limitation any post-petition interest whether or not allowable.

(viii) "Permitted Prior Lien" means any Lien that has priority over the Lien of the Lenders, which Lien was permitted under each Secured Note and any Additional Secured Note.

Section 3. Expenses.

(a) Expenses. The Borrowers jointly and severally agree to pay to the Initial Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Initial Lenders, including legal fees, in connection with (i) preparation, negotiation, and execution of this Agreement and any other documents executed in connection herewith, (ii) the transactions contemplated by this Agreement, including, but not limited to amendments to the Secured Notes, and any other document executed in connection herewith, (iii) monitoring an Initial Lender's rights with respect to its obligations under this Agreement and (iv) the issuance of any Additional Secured Notes after the date hereof.

Section 4. Representations and Warranties.

(a) Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as of the date hereof as follows:

(i) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.

(ii) Each Borrower has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

(v) The financial statements of each Borrower as of and for the fiscal quarter ended June 30, 2019 previously delivered to the Lenders fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of such Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(vi) Except as disclosed to the Lenders on Schedule II hereto, (a) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower threatened before any court or Governmental Authority, agency or arbitration authority or (b) there is no outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.

(vii) (a) Each of the FCC Licenses issued to any Borrower is valid, binding, in full force and effect, and enforceable by such Borrower in accordance with its terms; (b) any Borrower that is the holder of each such FCC License has performed all obligations thereunder in all material respects and has not received written notice of intention to terminate any FCC License or written notice alleging a material default (other than letters of default that have been rescinded or with respect to defaults that have been cured or waived); and (c) no event caused by, relating to or affecting any Borrower that is the holder of an FCC License has occurred which (with or without the giving of notice or lapse of time, or both) would constitute a Material Adverse Change by any Borrower of the terms of such FCC License, the Communications Act of 1934, as amended (the "Communications Act"), or the rules, regulations, written policies, orders and decisions of the Federal Communications Commission ("FCC") adopted under the Communications Act, in each case as from time to time in effect (the "FCC Rules").

(viii) Except for proceedings affecting the broadcasting industry generally, neither Borrower is a party to or has knowledge of any investigation, notice of apparent liability, violation, forfeiture or other order or complaint issued by or before the FCC, or of any other proceedings which could in any manner threaten or adversely affect the validity or continued effectiveness of the FCC Licenses of any such Person or give rise to any order of forfeiture that would reasonably be expected to have a Material Adverse Change. Neither Borrower has any reason to believe that the FCC Licenses issued to any Borrower will not be renewed in the ordinary course. Each Borrower has

filed in a timely manner all material reports, applications, documents, instruments and information required to be filed by it pursuant to the FCC Rules. No licenses, authorizations, permits or other rights other than the FCC Licenses are required under the Communications Act or the FCC Rules to operate the respective businesses of the Borrowers in substantially the manner it is being operated as of the date of this Agreement.

(ix) Parent owns all of the issued and outstanding capital stock of each of the Operating Subsidiaries, and all such capital stock is validly issued, fully paid and non-assessable and is free and clear of all liens or adverse claims, other than the security interest in favor of the Lenders or as would not constitute a Material Adverse Change.

(x) No representation or warranty by any Borrower in this Agreement or in any of the other documents or instruments executed in connection herewith and no statement contained any certificate or other document furnished or to be furnished to the Lenders pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

(b) Representations and Warranties of the Lenders. Each Lender hereby represents and warrants as of the date hereof as follows:

(i) Each Lender is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Lender does a material volume of business.

(ii) Each Lender has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of such Lender. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Lender is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Lender and no provision of any existing agreement, mortgage, indenture or contract binding on such Lender or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

Section 5. Miscellaneous.

(a) Notices.

(i) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

If to the Borrowers:

HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

If to the Initial Lenders:

Great American Life Insurance Company and
Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: Tom Keitel and Tim Shipp

With copies to:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: John S. Fronduti and Mark A. Weiss

If to an Additional Lender:

Minority Brands, Inc.
653 McCorkle Boulevard
Suite P
Westerville, Ohio 43082
Attn: Richard Schlig

With copies to:

Koerner and Olender, P.C.
7020 Richard Drive

Bethesda, Maryland 20817
Attn: James Koerner

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(ii) Notices are deemed received (a) when delivered, if personally delivered, and (b) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(c) Submission to Jurisdiction. Each Party hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Agreement may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Party in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(d) Venue. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in the foregoing paragraph and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

(f) Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Agreement and the Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Successors and Assigns. This Agreement may be assigned by the Initial Lenders to any Person who is a “United States person” as defined in Section 7701(a)(30) of the Internal Revenue Code, as amended, and by the First-Out Lender to any of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by Section 2(b)(ii), to any of its affiliates); provided that, any such assignment or transfer shall be evidenced by the execution of a joinder or counterpart to this Agreement in the name of the assignee or transferee with terms and conditions identical to those herein. The Borrowers may not assign or transfer this Agreement or any of its rights hereunder without the prior written consent of Lenders holding a majority in aggregate principal amount of the Secured Notes and any Additional Secured Notes then outstanding (collectively, the “Majority Lenders”) and the First-Out Lender.

(h) Third Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the Borrowers and the Lenders (and the applicable Lenders’ respective permitted assigns).

(i) Interpretation. For purposes of this Agreement: (i) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (ii) the word “or” is not exclusive; and (iii) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(j) Amendments and Waivers. No term of this Agreement may be waived, modified, amended, amended and restated, or supplemented except by an instrument in writing signed by the Borrowers and the Majority Lenders. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the foregoing, no provision of Section 2 may be waived, modified, amended, amended and restated, or supplemented in any manner whatsoever (whether set forth elsewhere in this Agreement or in

any other agreement) without the written consent of each Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(k) Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(l) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by applicable Law.

(m) Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties 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 greatest extent possible.

(n) Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement.

(o) Publicity; Confidentiality. Except as may be required by applicable Law, none of the Parties shall issue a press release or public announcement or otherwise make any disclosure concerning this Agreement or the transactions contemplated hereby, without prior written consent of the other Parties. If any announcement is required by applicable Law to be made by a Party, prior to making such announcement or disclosure such Party, to the extent reasonably practicable, will deliver a draft of such announcement to the other party and shall give the other party a reasonable opportunity to comment thereon. Notwithstanding anything to the contrary herein, the Parties may (i) disclose the terms and provisions of this Agreement in, and/or file this Agreement as an exhibit to, any report required to be filed with the Securities and Exchange Commission and (ii) publish, make, repeat or otherwise use any statement previously consented to by the other Parties unless and until another Party objects in writing to the use thereof.

(p) This Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and any Secured Note or Additional Secured Note, this Agreement shall govern and be controlling.

(Signature Pages Follow)Ame

IN WITNESS WHEREOF, the Borrowers have executed this Agreement as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov

Name: Ivan P. Minkov

Title: Chief Financial Officer

[Signature Page to
Fourth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Mark F. Muething

Name: Mark F. Muething

Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: _____

Name: Stephen C. Beraha

Title: Assistant Vice President

[Signature Page to
Fourth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: _____

Title: President

Name: Mark F. Muething

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Stephen C. Beraha

Title: Assistant Vice President

Name: Stephen C. Beraha

[Signature Page to
Fourth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

MINORITY BRANDS, INC.,
as an Additional Lender

By: /s/ Richard C. Schilg

Name: Richard C. Schilg

Title: Chief Executive Officer

[Signature Page to
Fourth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

ARENA LIMITED SPV, LLC,
as the First-Out Lender and an Additional Lender

By: /s/ Lawrence Cutler

Name: Lawrence Cutler

Title: Authorized Signer

[Signature Page to
Fourth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Schedule I:

Secured Notes

1. US \$35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and the Initial Lenders (as amended by the Agreement Re: Secured Notes, the “\$35,000,000 Secured Note”).
2. US \$7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and the Initial Lenders (the “\$7,500,000 Secured Note” and, together with the \$35,000,000 Secured Note, the “Great American Secured Notes”).
3. US \$700,000 secured note, dated as of April 1, 2019, among the Borrowers and MBI (the “\$700,000 Secured Note”).
4. US \$10,750,000 secured note, dated as of May 31, 2019, among the Borrowers and the First-Out Lender (the “First-Out Secured Note” and, together with the \$35,000,000 Secured Note, the \$7,500,000 Secured Note and the \$700,000 Secured Note, the “Secured Notes”).

Sch-I-1

Schedule II:

Actions, Orders, Proceedings, Investigations

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

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1. The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.
 2. Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.
 3. The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

**FIFTH OMNIBUS AMENDMENT
TO
SECURED NOTES
AND
AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES**

THIS FIFTH OMNIBUS AMENDMENT TO SECURED NOTES AND AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of August 2, 2019, among HC2 Station Group, Inc., a Delaware corporation, and HC2 LPTV Holdings, Inc., a Delaware corporation (each a "Subsidiary Borrower" and, together, the "Subsidiary Borrowers"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Subsidiary Borrowers, the "Borrowers"), Great American Life Insurance Company, an Ohio corporation ("GALIC") and Great American Insurance Company, an Ohio corporation ("GAIC" and, together with GALIC, the "Initial Lenders"), Minority Brands, Inc., an Ohio Corporation ("MBI"), and Arena Limited SPV, LLC, a Delaware limited liability company (the "First-Out Lender" and, together with MBI and any other lender under any Additional Secured Note (as defined below) that becomes party to this Agreement pursuant to Section 2(a)(ii), the "Additional Lenders" and, together with the Initial Lenders, each a "Lender" and, collectively, the "Lenders" and, together with the Borrowers, each a "Party" and collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, the Borrowers have entered into the Existing Secured Notes (as defined on Schedule I-A hereto) with the applicable Lender or Lenders;

WHEREAS, the Subsidiary Borrowers and the Initial Lenders previously entered into the Agreement Re: Secured Notes, dated as of January 22, 2019 (the "Original Agreement Re: Secured Notes"), which, among other things, amended certain terms of the \$35,000,000 Secured Note (as defined on Schedule I-A hereto), provided for the issuance of Additional Secured Notes and contained certain provisions related to the administration or disposition of the Collateral;

WHEREAS, the Borrowers and certain of the Lenders previously entered into the Omnibus Amendment to Secured Notes, dated as of May 3, 2019 (the "Original Omnibus Amendment"), to add additional Collateral to secure the Existing Secured Notes, to add the Parent Borrower as an additional "Borrower" under the Secured Notes (as defined on Schedule I-B hereto) then outstanding, and to make certain other amendments thereto;

WHEREAS, the Borrowers and the Lenders previously entered into the Second Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of May 31, 2019 (the "Second Agreement Re: Secured Notes"), which, among other things, amended certain of the Secured Notes to permit the issuance of certain additional secured notes on the terms set forth therein, including the \$10,750,000 First-Out Secured Note (as defined on Schedule I-A hereto) with the First-Out Lender, dated as of May 31, 2019, amended the Maturity

Date under such Secured Notes and made certain other amendments thereto as set forth therein and amended and restated the Original Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Third Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of June 28, 2019 (the "Third Agreement Re: Secured Notes"), which, among other things, amended the Existing Secured Notes to permit certain asset sales and extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Second Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of July 31, 2019 (the "Fourth Agreement Re: Secured Notes"), which further extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Third Agreement Re: Secured Notes;

WHEREAS, pursuant to this Agreement, the Parties wish to amend the Existing Secured Notes and amend and restate the Fourth Agreement Re: Secured Notes as set forth herein, including restating the terms on which Additional Secured Notes may be issued, restating the terms related to the administration or disposition of the Collateral, permitting the issuance of the \$5,375,000 First-Out Secured Note (as defined on Schedule I-B hereto), and permitting the First-Out Secured Notes (as defined on Schedule I-B hereto) as "First-Out Debt" and "First-Out Obligations" (each as defined herein).

Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Secured Notes.

In consideration of the premises, the mutual covenants, and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant, agree and represent, as applicable, as follows:

Section 1. Certain Amendments and Understandings with respect to the Existing Secured Notes.

(a) Amendments.

(i) The following defined term contained in each of the Existing Secured Notes is hereby amended and restated in its entirety as follows:

"Agreement Re: Secured Notes" means the Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 2, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

(ii) The following defined term contained in each of the Existing Secured Notes (other than the \$10,750,000 First-Out Secured Note) is hereby amended and restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral (including “First-Out Debt,” “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$59,325,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(iii) The following defined term contained in the \$10,750,000 First-Out Secured Note is hereby amended and restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$59,325,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(b) Understandings of the Parties.

(i) For greater certainty, the following defined terms contained in each of the Existing Secured Notes are hereby restated in their entirety as follows:

“Maturity Date” means the earlier of (a) August 31, 2019 and (b) the date on which all amounts under this Note shall become due and payable.

“**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

(ii) For greater certainty, Section 7.2(f) of each of the Existing Secured Notes is hereby restated in its entirety as follows:

(f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000;

(iii) Except as modified by this Agreement, the Original Omnibus Amendment remains in full force and effect.

Section 2. Agreement Re: Secured Notes.

(a) Issuance of Additional Secured Notes.

(i) Notwithstanding anything to the contrary herein or in the Secured Notes, without the consent of or prior notice to the Lenders, the Borrowers shall be permitted to issue one or more additional secured notes (each, an “Additional Secured Note” and, collectively, the “Additional Secured Notes”) to one or more Additional Lenders secured by the same Collateral as the Secured Notes and otherwise on substantially the same terms as the Secured Notes (including an interest rate not to exceed 8.5% per annum, a default rate not to exceed 2.0% per annum and a maturity date not earlier than the Maturity Date of each other Secured Note) to the extent permitted by the Secured Notes.

(ii) Substantially concurrently with the execution and delivery of any Additional Secured Note, each Additional Lender under such Additional Secured Note not then party hereto shall execute and deliver to the Borrowers a counterpart signature page to this Agreement, and thereby such Additional Lender shall have (i) agreed to be bound by all of the terms of this Agreement, (ii) assumed all rights and obligations of an

“Additional Lender” and a “Lender” hereunder and (iii) be deemed to have made all of the representations and warranties thereof as of the date of the execution of such counterpart signature page.

(b) Collateral Matters.

(i) The obligations of each Lender under the Secured Notes or any Additional Secured Note, as applicable, shall be secured by the Collateral on a *pari passu* basis and any proceeds from the Collateral however received shall be distributed in accordance with clause (c) below.

(ii) Only the Initial Lenders may act or refrain from acting with respect to the Collateral or any proceeds therefrom. Without the express written consent of the Initial Lenders, no Additional Lender shall attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Collateral (provided, however, that the foregoing shall not prohibit any Additional Lender from taking any action to perfect its security interest in the Collateral, including by filing UCC financing statements).

(iii) Neither Initial Lender shall have by reason of this Agreement or any other related document a fiduciary relationship with respect to any Additional Lender, and each Additional Lender hereby waives and releases each Lender from all claims and liabilities arising pursuant to any Initial Lender’s role under this Agreement or any related document.

(c) Application of Proceeds.

(i) The Initial Lenders (and, to the extent permitted by Section 2(b)(ii), any Additional Lender) will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof in the following order of application:

FIRST, to the payment of any reasonable costs and expenses (including reasonable legal fees) incurred by any Initial Lender or indemnification obligations then due and payable to any Initial Lender pursuant to the Great American Secured Notes (as defined on Schedule I-A hereto), in each case, in connection with the administration or disposition of Collateral or any proceeds therefrom;

SECOND, to the repayment of obligations (other than Pari Passu Obligations (as defined below)) secured by a Permitted Prior Lien (as defined below) on any Collateral sold or realized upon;

THIRD, to the First-Out Lender for application to the payment of all outstanding First-Out Obligations (as defined below) that are then due and payable in an amount sufficient to discharge all First-Out Obligations;

FOURTH, after the discharge of all First-Out Obligations, to each other Lender for application to the equal and ratable payment of all other outstanding Pari Passu Obligations that are then due and payable in an amount sufficient to discharge all Pari Passu Obligations; and

FIFTH, any surplus remaining after the payment of amounts described in the preceding clauses will be paid to the Borrowers, or to such other persons as may be entitled to such amounts under applicable law or as a court of competent jurisdiction may direct.

(ii) "Excess First-Out Debt" means any obligations under First-Out Debt (other than the principal amount of, and regular installments of interest on, First-Out Debt) in excess of \$250,000.

(iii) "Excess First-Out Obligations" means Excess First-Out Debt and all other obligations in respect thereof.

(iv) "First-Out Debt" means the First-Out Secured Notes; provided that, for the avoidance of doubt, Excess First-Out Debt shall constitute Pari Passu Debt and not First-Out Debt.

(v) "First-Out Obligations" means First-Out Debt and all other obligations in respect thereof; provided that, for the avoidance of doubt, Excess First-Out Obligations shall constitute Pari Passu Obligations and not First-Out Obligations.

(vi) "Pari Passu Debt" means:

(1) all Secured Notes (other than the First-Out Secured Notes);

(2) all First-Out Debt;

(3) any Excess First-Out Debt; and

(4) any other indebtedness (including any Additional Secured Note) of the Borrowers that is secured equally and ratably with the Secured Notes (other than the First-Out Secured Notes), the First-Out Debt and any Excess First-Out Debt by a pari passu Lien that was permitted to be incurred under this Agreement and the Secured Notes.

(vii) "Pari Passu Obligations" means Pari Passu Debt and all other obligations in respect of Pari Passu Debt, including without limitation any post-petition interest whether or not allowable.

(viii) "Permitted Prior Lien" means any Lien that has priority over the Lien of the Lenders, which Lien was permitted under each Secured Note and any Additional Secured Note.

Section 3. Expenses.

(a) Expenses. The Borrowers jointly and severally agree to pay to the Initial Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Initial Lenders, including legal fees, in connection with (i) preparation, negotiation, and execution of this Agreement, the \$5,375,000 First-Out Secured Note and any other documents executed in connection herewith, (ii) the transactions contemplated by this Agreement, including, but not limited to amendments to the Existing Secured Notes, and any other document executed in connection herewith, (iii) monitoring an Initial Lender's rights with respect to its obligations under this Agreement and (iv) the issuance of any Additional Secured Notes after the date hereof.

Section 4. Representations and Warranties.

(a) Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as of the date hereof as follows:

(i) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.

(ii) Each Borrower has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

(v) The financial statements of each Borrower as of and for the fiscal quarter ended June 30, 2019 previously delivered to the Lenders fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of such Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(vi) Except as disclosed to the Lenders on Schedule II hereto, (a) there is no action, claim, notice of violation, order to show cause, complaint,

investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower threatened before any court or Governmental Authority, agency or arbitration authority or (b) there is no outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.

(vii) (a) Each of the FCC Licenses issued to any Borrower is valid, binding, in full force and effect, and enforceable by such Borrower in accordance with its terms; (b) any Borrower that is the holder of each such FCC License has performed all obligations thereunder in all material respects and has not received written notice of intention to terminate any FCC License or written notice alleging a material default (other than letters of default that have been rescinded or with respect to defaults that have been cured or waived); and (c) no event caused by, relating to or affecting any Borrower that is the holder of an FCC License has occurred which (with or without the giving of notice or lapse of time, or both) would constitute a Material Adverse Change by any Borrower of the terms of such FCC License, the Communications Act of 1934, as amended (the "Communications Act"), or the rules, regulations, written policies, orders and decisions of the Federal Communications Commission ("FCC") adopted under the Communications Act, in each case as from time to time in effect (the "FCC Rules").

(viii) Except for proceedings affecting the broadcasting industry generally, neither Borrower is a party to or has knowledge of any investigation, notice of apparent liability, violation, forfeiture or other order or complaint issued by or before the FCC, or of any other proceedings which could in any manner threaten or adversely affect the validity or continued effectiveness of the FCC Licenses of any such Person or give rise to any order of forfeiture that would reasonably be expected to have a Material Adverse Change. Neither Borrower has any reason to believe that the FCC Licenses issued to any Borrower will not be renewed in the ordinary course. Each Borrower has filed in a timely manner all material reports, applications, documents, instruments and information required to be filed by it pursuant to the FCC Rules. No licenses, authorizations, permits or other rights other than the FCC Licenses are required under the Communications Act or the FCC Rules to operate the respective businesses of the Borrowers in substantially the manner it is being operated as of the date of this Agreement.

(ix) Parent owns all of the issued and outstanding capital stock of each of the Operating Subsidiaries, and all such capital stock is validly issued, fully paid and non-assessable and is free and clear of all liens or adverse claims, other than the security interest in favor of the Lenders or as would not constitute a Material Adverse Change.

(x) No representation or warranty by any Borrower in this Agreement or in any of the other documents or instruments executed in connection herewith and no statement contained any certificate or other document furnished or to be furnished to the Lenders pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

(b) Representations and Warranties of the Lenders. Each Lender hereby represents and warrants as of the date hereof as follows:

(i) Each Lender is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Lender does a material volume of business.

(ii) Each Lender has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of such Lender. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Lender is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Lender and no provision of any existing agreement, mortgage, indenture or contract binding on such Lender or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

Section 5. Miscellaneous.

(a) Notices.

(i) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

If to the Borrowers:

HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

If to the Initial Lenders:

Great American Life Insurance Company and
Great American Insurance Company

c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: Tom Keitel and Tim Shipp

With copies to:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: John S. Fronduti and Mark A. Weiss

If to an Additional Lender:

Minority Brands, Inc.
653 McCorkle Boulevard
Suite P
Westerville, Ohio 43082
Attn: Richard Schlig

With copies to:

Koerner and Olender, P.C.
7020 Richard Drive
Bethesda, Maryland 20817
Attn: James Koerner

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(ii) Notices are deemed received (a) when delivered, if personally delivered, and (b) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR

RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(c) Submission to Jurisdiction. Each Party hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Agreement may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Party in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(d) Venue. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in the foregoing paragraph and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

(f) Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Agreement and the Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Successors and Assigns. This Agreement may be assigned by the Initial Lenders to any Person who is a “United States person” as defined in Section 7701(a)(30) of the Internal Revenue Code, as amended, and by the First-Out Lender to any of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by Section 2(b)(ii), to any of its affiliates); provided that, any such assignment or transfer shall be evidenced by the execution of a joinder or counterpart to this Agreement in the name of the assignee or transferee with terms and conditions identical to those herein. The Borrowers may not assign or transfer this Agreement or any of its rights hereunder without the prior written consent of Lenders holding a majority in aggregate principal amount of the Secured Notes and any Additional Secured Notes then outstanding (collectively, the “Majority Lenders”) and the First-Out Lender.

(h) Third Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the Borrowers and the Lenders (and the applicable Lenders' respective permitted assigns).

(i) Interpretation. For purposes of this Agreement: (i) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (ii) the word "or" is not exclusive; and (iii) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(j) Amendments and Waivers. No term of this Agreement may be waived, modified, amended, amended and restated, or supplemented except by an instrument in writing signed by the Borrowers and the Majority Lenders. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the foregoing, no provision of Section 2 may be waived, modified, amended, amended and restated, or supplemented in any manner whatsoever (whether set forth elsewhere in this Agreement or in any other agreement) without the written consent of each Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(k) Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(l) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by applicable Law.

(m) Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties 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 greatest extent possible.

(n) Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement.

(o) Publicity; Confidentiality. Except as may be required by applicable Law, none of the Parties shall issue a press release or public announcement or otherwise make any disclosure concerning this Agreement or the transactions contemplated hereby, without prior written consent of the other Parties. If any announcement is required by applicable Law to be made by a Party, prior to making such announcement or disclosure such Party, to the extent reasonably practicable, will deliver a draft of such announcement to the other party and shall give the other party a reasonable opportunity to comment thereon. Notwithstanding anything to the contrary herein, the Parties may (i) disclose the terms and provisions of this Agreement in, and/or file this Agreement as an exhibit to, any report required to be filed with the Securities and Exchange Commission and (ii) publish, make, repeat or otherwise use any statement previously consented to by the other Parties unless and until another Party objects in writing to the use thereof.

(p) This Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and any Secured Note or Additional Secured Note, this Agreement shall govern and be controlling.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Borrowers have executed this Agreement as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to
Fifth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Fifth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Fifth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

MINORITY BRANDS, INC.,
as an Additional Lender

By: /s/ Richard C. Schilg
Name:
Title:

[Signature Page to
Fifth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

ARENA LIMITED SPV, LLC,
as the First-Out Lender and an Additional Lender

By: /s/ Lawrence Cutler

Name: Lawrence Cutler

Title: Authorized Signer

[Signature Page to
Fifth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Schedule I-A:

Existing Secured Notes

1. US \$35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and the Initial Lenders (as amended by the Agreement Re: Secured Notes, the “\$35,000,000 Secured Note”).
2. US \$7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and the Initial Lenders (the “\$7,500,000 Secured Note” and, together with the \$35,000,000 Secured Note, the “Great American Secured Notes”).
3. US \$700,000 secured note, dated as of April 1, 2019, among the Borrowers and MBI, as amended by the letter agreement, dated as of July 31, 2019 (the “MBI Secured Note”).
4. US \$10,750,000 secured note, dated as of May 31, 2019, among the Borrowers and the First-Out Lender (the “\$10,750,000 First-Out Secured Note” and, together with the Great American Secured Notes and the MBI Secured Note, the “Existing Secured Notes”).

Schedule I-B:

\$5,375,000 First-Out Secured Note

5. US \$5,375,000 secured note, dated as of August 2, 2019, among the Borrowers and the First-Out Lender (the “\$5,375,000 First-Out Secured Note” and, together with the 10,750,000 First-Out Secured Note, the “First-Out Secured Notes” and, the First-Out Secured Notes together with the Great American Secured Notes and the MBI Secured Note, the “Secured Notes”).

Sch-I-1

Schedule II:

Actions, Orders, Proceedings, Investigations

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

**SIXTH OMNIBUS AMENDMENT
TO
SECURED NOTES
AND
AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES**

THIS SIXTH OMNIBUS AMENDMENT TO SECURED NOTES AND AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of August 30, 2019, among HC2 Station Group, Inc., a Delaware corporation, and HC2 LPTV Holdings, Inc., a Delaware corporation (each a "Subsidiary Borrower" and, together, the "Subsidiary Borrowers"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Subsidiary Borrowers, the "Borrowers"), Great American Life Insurance Company, an Ohio corporation ("GALIC") and Great American Insurance Company, an Ohio corporation ("GAIC" and, together with GALIC, the "Initial Lenders"), Minority Brands, Inc., an Ohio Corporation ("MBI"), and Arena Limited SPV, LLC, a Delaware limited liability company (the "First-Out Lender" and, together with MBI and any other lender under any Additional Secured Note (as defined below) that becomes party to this Agreement pursuant to Section 2(a)(ii), the "Additional Lenders" and, together with the Initial Lenders, each a "Lender" and, collectively, the "Lenders" and, together with the Borrowers, each a "Party" and collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, the Borrowers have entered into the Secured Notes (as defined on Schedule I hereto) with the applicable Lender or Lenders;

WHEREAS, the Subsidiary Borrowers and the Initial Lenders previously entered into the Agreement Re: Secured Notes, dated as of January 22, 2019 (the "Original Agreement Re: Secured Notes"), which, among other things, amended certain terms of the \$35,000,000 Secured Note (as defined on Schedule I hereto), provided for the issuance of Additional Secured Notes and contained certain provisions related to the administration or disposition of the Collateral;

WHEREAS, the Borrowers and certain of the Lenders previously entered into the Omnibus Amendment to Secured Notes, dated as of May 3, 2019 (the "Original Omnibus Amendment"), to add additional Collateral to secure the Secured Notes, to add the Parent Borrower as an additional "Borrower" under the Secured Notes then outstanding, and to make certain other amendments thereto;

WHEREAS, the Borrowers and the Lenders previously entered into the Second Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of May 31, 2019 (the "Second Agreement Re: Secured Notes"), which, among other things, amended certain of the Secured Notes to permit the issuance of certain additional secured notes on the terms set forth therein, including the \$10,750,000 First-Out Secured Note (as defined on Schedule I hereto) with the First-Out Lender, dated as of May 31, 2019, amended the Maturity

Date under such Secured Notes and made certain other amendments thereto as set forth therein and amended and restated the Original Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Third Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of June 28, 2019 (the "Third Agreement Re: Secured Notes"), which, among other things, amended the Secured Notes to permit certain asset sales and extended the Maturity Date under the Secured Notes as set forth therein and amended and restated the Second Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of July 31, 2019 (the "Fourth Agreement Re: Secured Notes"), which further extended the Maturity Date under the Secured Notes as set forth therein and amended and restated the Third Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 2, 2019 (the "Fifth Agreement Re: Secured Notes"), which, among other things, permitted the issuance of the \$5,375,000 First-Out Secured Note (as defined on Schedule I hereto) and amended and restated the Fourth Agreement Re: Secured Notes; and

WHEREAS, pursuant to this Agreement, the Parties wish to amend the Secured Notes to further extend the Maturity Date under the Secured Notes as set forth herein and amend and restate the Fifth Agreement Re: Secured Notes.

Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Secured Notes.

In consideration of the premises, the mutual covenants, and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant, agree and represent, as applicable, as follows:

Section 1. Certain Amendments and Understandings with respect to the Secured Notes.

(a) Amendments.

(i) The following defined terms contained in each of the Secured Notes are hereby amended and restated in their entirety as follows:

"Maturity Date" means the earlier of (a) September 30, 2019 and (b) the date on which all amounts under this Note shall become due and payable.

"Agreement Re: Secured Notes" means the Sixth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 30, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

(b) Understandings of the Parties.

(i) For greater certainty, the following defined term contained in each of the Secured Notes (other than the First-Out Secured Notes) is hereby restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral (including “First-Out Debt,” “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$59,325,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(ii) The following defined term contained in the \$10,750,000 First-Out Secured Note is hereby restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$59,325,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(iii) The definition of “Permitted Indebtedness” contained in the \$5,375,000 First-Out Secured Note shall be as set forth therein.

(iv) For greater certainty, the following defined term contained in each of the Secured Notes is hereby restated in its entirety as follows:

“**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

(v) For greater certainty, Section 7.2(f) of each of the Secured Notes (other than the \$5,375,000 First-Out Secured Note) is hereby restated in its entirety as follows:

(f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000;

(vi) Section 7.2(f) of the \$5,375,000 First-Out Secured Note shall be as set forth therein.

(vii) Except as modified by this Agreement, the Original Omnibus Amendment remains in full force and effect.

Section 2. Agreement Re: Secured Notes.

(a) Issuance of Additional Secured Notes.

(i) Notwithstanding anything to the contrary herein or in the Secured Notes, without the consent of or prior notice to the Lenders, the Borrowers shall be permitted to issue one or more additional secured notes (each, an “Additional Secured Note” and, collectively, the “Additional Secured Notes”) to one or more Additional Lenders secured by the same Collateral as the Secured Notes and otherwise on substantially the same

terms as the Secured Notes (including an interest rate not to exceed 8.5% per annum, a default rate not to exceed 2.0% per annum and a maturity date not earlier than the Maturity Date of each other Secured Note) to the extent permitted by the Secured Notes.

(ii) Substantially concurrently with the execution and delivery of any Additional Secured Note, each Additional Lender under such Additional Secured Note not then party hereto shall execute and deliver to the Borrowers a counterpart signature page to this Agreement, and thereby such Additional Lender shall have (i) agreed to be bound by all of the terms of this Agreement, (ii) assumed all rights and obligations of an “Additional Lender” and a “Lender” hereunder and (iii) be deemed to have made all of the representations and warranties thereof as of the date of the execution of such counterpart signature page.

(b) Collateral Matters.

(i) The obligations of each Lender under the Secured Notes or any Additional Secured Note, as applicable, shall be secured by the Collateral on a *pari passu* basis and any proceeds from the Collateral however received shall be distributed in accordance with clause (c) below.

(ii) Only the Initial Lenders may act or refrain from acting with respect to the Collateral or any proceeds therefrom. Without the express written consent of the Initial Lenders, no Additional Lender shall attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Collateral (provided, however, that the foregoing shall not prohibit any Additional Lender from taking any action to perfect its security interest in the Collateral, including by filing UCC financing statements).

(iii) Neither Initial Lender shall have by reason of this Agreement or any other related document a fiduciary relationship with respect to any Additional Lender, and each Additional Lender hereby waives and releases each Lender from all claims and liabilities arising pursuant to any Initial Lender’s role under this Agreement or any related document.

(c) Application of Proceeds.

(i) The Initial Lenders (and, to the extent permitted by Section 2(b)(ii), any Additional Lender) will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof in the following order of application:

FIRST, to the payment of any reasonable costs and expenses (including reasonable legal fees) incurred by any Initial Lender or indemnification obligations then due and payable to any Initial Lender pursuant to the Great American Secured Notes (as defined on Schedule I hereto), in each case, in connection with the administration or disposition of Collateral or any proceeds therefrom;

SECOND, to the repayment of obligations (other than Pari Passu Obligations (as defined below)) secured by a Permitted Prior Lien (as defined below) on any Collateral sold or realized upon;

THIRD, to the First-Out Lender for application to the payment of all outstanding First-Out Obligations (as defined below) that are then due and payable in an amount sufficient to discharge all First-Out Obligations;

FOURTH, after the discharge of all First-Out Obligations, to each other Lender for application to the equal and ratable payment of all other outstanding Pari Passu Obligations that are then due and payable in an amount sufficient to discharge all Pari Passu Obligations; and

FIFTH, any surplus remaining after the payment of amounts described in the preceding clauses will be paid to the Borrowers, or to such other persons as may be entitled to such amounts under applicable law or as a court of competent jurisdiction may direct.

(ii) "Excess First-Out Debt" means any obligations under First-Out Debt (other than the principal amount of, and regular installments of interest on, First-Out Debt) in excess of \$250,000.

(iii) "Excess First-Out Obligations" means Excess First-Out Debt and all other obligations in respect thereof.

(iv) "First-Out Debt" means the First-Out Secured Notes; provided that, for the avoidance of doubt, Excess First-Out Debt shall constitute Pari Passu Debt and not First-Out Debt.

(v) "First-Out Obligations" means First-Out Debt and all other obligations in respect thereof; provided that, for the avoidance of doubt, Excess First-Out Obligations shall constitute Pari Passu Obligations and not First-Out Obligations.

(vi) "Pari Passu Debt" means:

(1) all Secured Notes (other than the First-Out Secured Notes);

(2) all First-Out Debt;

(3) any Excess First-Out Debt; and

(4) any other indebtedness (including any Additional Secured Note) of the Borrowers that is secured equally and ratably with the Secured Notes (other than the First-Out Secured Notes), the First-Out Debt and any Excess First-Out Debt by a pari passu Lien that was permitted to be incurred under this Agreement and the Secured Notes.

(vii) “Pari Passu Obligations” means Pari Passu Debt and all other obligations in respect of Pari Passu Debt, including without limitation any post-petition interest whether or not allowable.

(viii) “Permitted Prior Lien” means any Lien that has priority over the Lien of the Lenders, which Lien was permitted under each Secured Note and any Additional Secured Note.

Section 3. Expenses.

(a) Expenses. The Borrowers jointly and severally agree to pay to the Initial Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Initial Lenders, including legal fees, in connection with (i) preparation, negotiation, and execution of this Agreement and any other documents executed in connection herewith, (ii) the transactions contemplated by this Agreement, including, but not limited to amendments to the Secured Notes, and any other document executed in connection herewith, (iii) monitoring an Initial Lender’s rights with respect to its obligations under this Agreement and (iv) the issuance of any Additional Secured Notes after the date hereof.

Section 4. Representations and Warranties.

(a) Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as of the date hereof as follows:

(i) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.

(ii) Each Borrower has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

(v) The financial statements of each Borrower as of and for the fiscal quarter ended June 30, 2019 previously delivered to the Lenders fairly present, in all material respects, the financial condition, results of operations, shareholders’ equity and

cash flows of such Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(vi) Except as disclosed to the Lenders on Schedule II hereto, (a) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower threatened before any court or Governmental Authority, agency or arbitration authority or (b) there is no outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.

(vii) (a) Each of the FCC Licenses issued to any Borrower is valid, binding, in full force and effect, and enforceable by such Borrower in accordance with its terms; (b) any Borrower that is the holder of each such FCC License has performed all obligations thereunder in all material respects and has not received written notice of intention to terminate any FCC License or written notice alleging a material default (other than letters of default that have been rescinded or with respect to defaults that have been cured or waived); and (c) no event caused by, relating to or affecting any Borrower that is the holder of an FCC License has occurred which (with or without the giving of notice or lapse of time, or both) would constitute a Material Adverse Change by any Borrower of the terms of such FCC License, the Communications Act of 1934, as amended (the "Communications Act"), or the rules, regulations, written policies, orders and decisions of the Federal Communications Commission ("FCC") adopted under the Communications Act, in each case as from time to time in effect (the "FCC Rules").

(viii) Except for proceedings affecting the broadcasting industry generally, neither Borrower is a party to or has knowledge of any investigation, notice of apparent liability, violation, forfeiture or other order or complaint issued by or before the FCC, or of any other proceedings which could in any manner threaten or adversely affect the validity or continued effectiveness of the FCC Licenses of any such Person or give rise to any order of forfeiture that would reasonably be expected to have a Material Adverse Change. Neither Borrower has any reason to believe that the FCC Licenses issued to any Borrower will not be renewed in the ordinary course. Each Borrower has filed in a timely manner all material reports, applications, documents, instruments and information required to be filed by it pursuant to the FCC Rules. No licenses, authorizations, permits or other rights other than the FCC Licenses are required under the Communications Act or the FCC Rules to operate the respective businesses of the Borrowers in substantially the manner it is being operated as of the date of this Agreement.

(ix) Parent owns all of the issued and outstanding capital stock of each of the Operating Subsidiaries, and all such capital stock is validly issued, fully paid and non-assessable and is free and clear of all liens or adverse claims, other than the security interest in favor of the Lenders or as would not constitute a Material Adverse Change.

(x) No representation or warranty by any Borrower in this Agreement or in any of the other documents or instruments executed in connection herewith and no statement contained any certificate or other document furnished or to be furnished to the Lenders pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

(b) Representations and Warranties of the Lenders. Each Lender hereby represents and warrants as of the date hereof as follows:

(i) Each Lender is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Lender does a material volume of business.

(ii) Each Lender has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of such Lender. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Lender is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Lender and no provision of any existing agreement, mortgage, indenture or contract binding on such Lender or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

Section 5. Miscellaneous.

(a) Notices.

(i) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

If to the Borrowers:

HC2 Broadcasting Holdings Inc.

HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

If to the Initial Lenders:

Great American Life Insurance Company and
Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: Tom Keitel and Tim Shipp

With copies to:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: John S. Fronduti and Mark A. Weiss

If to an Additional Lender:

Minority Brands, Inc.
653 McCorkle Boulevard
Suite P
Westerville, Ohio 43082
Attn: Richard Schlig

With copies to:

Koerner and Olender, P.C.
7020 Richard Drive
Bethesda, Maryland 20817
Attn: James Koerner

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(ii) Notices are deemed received (a) when delivered, if personally delivered, and (b) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(c) Submission to Jurisdiction. Each Party hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Agreement may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Party in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(d) Venue. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in the foregoing paragraph and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

(f) Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Agreement and the Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Successors and Assigns. This Agreement may be assigned by the Initial Lenders to any Person who is a “United States person” as defined in Section 7701(a)(30) of the Internal Revenue Code, as amended, and by the First-Out Lender to any of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by Section 2(b)(ii), to any of its affiliates); provided that, any such assignment or transfer shall be evidenced by the execution of a joinder or counterpart to this Agreement in the name of the assignee or transferee with terms and conditions identical to those herein. The Borrowers may not assign or transfer this Agreement or any of its rights hereunder without the prior written consent of Lenders holding a majority in aggregate principal amount of the Secured Notes and any Additional Secured Notes then outstanding (collectively, the “Majority Lenders”) and the First-Out Lender.

(h) Third Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the Borrowers and the Lenders (and the applicable Lenders’ respective permitted assigns).

(i) Interpretation. For purposes of this Agreement: (i) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (ii) the word “or” is not exclusive; and (iii) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(j) Amendments and Waivers. No term of this Agreement may be waived, modified, amended, amended and restated, or supplemented except by an instrument in writing signed by the Borrowers and the Majority Lenders. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the foregoing, no provision of Section 2 may be waived, modified, amended, amended and restated, or supplemented in any manner whatsoever (whether set forth elsewhere in this Agreement or in any other agreement) without the written consent of each Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(k) Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(l) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other

right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by applicable Law.

(m) Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties 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 greatest extent possible.

(n) Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement.

(o) Publicity; Confidentiality. Except as may be required by applicable Law, none of the Parties shall issue a press release or public announcement or otherwise make any disclosure concerning this Agreement or the transactions contemplated hereby, without prior written consent of the other Parties. If any announcement is required by applicable Law to be made by a Party, prior to making such announcement or disclosure such Party, to the extent reasonably practicable, will deliver a draft of such announcement to the other party and shall give the other party a reasonable opportunity to comment thereon. Notwithstanding anything to the contrary herein, the Parties may (i) disclose the terms and provisions of this Agreement in, and/or file this Agreement as an exhibit to, any report required to be filed with the Securities and Exchange Commission and (ii) publish, make, repeat or otherwise use any statement previously consented to by the other Parties unless and until another Party objects in writing to the use thereof.

(p) This Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and any Secured Note or Additional Secured Note, this Agreement shall govern and be controlling.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Borrowers have executed this Agreement as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to
Sixth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Sixth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Sixth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

MINORITY BRANDS, INC.,
as an Additional Lender

By: /s/ Richard Schilg
Name: Richard Schilg
Title: Chief Executive Officer

[Signature Page to
Sixth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

ARENA LIMITED SPV, LLC,
as the First-Out Lender and an Additional Lender

By: /s/ Lawrence Cutler

Name: Lawrence Culer

Title: Authorized Signer

[Signature Page to
Sixth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Schedule I:

Secured Notes

1. US \$35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and the Initial Lenders (as amended by the Agreement Re: Secured Notes, the “\$35,000,000 Secured Note”).
2. US \$7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and the Initial Lenders (the “\$7,500,000 Secured Note” and, together with the \$35,000,000 Secured Note, the “Great American Secured Notes”).
3. US \$700,000 secured note, dated as of April 1, 2019, among the Borrowers and MBI, as amended by the letter agreement, dated as of July 31, 2019 (the “MBI Secured Note”).
4. US \$10,750,000 secured note, dated as of May 31, 2019, among the Borrowers and the First-Out Lender (the “\$10,750,000 First-Out Secured Note”).
5. US \$5,375,000 secured note, dated as of August 2, 2019, among the Borrowers and the First-Out Lender (the “\$5,375,000 First-Out Secured Note” and, together with the 10,750,000 First-Out Secured Note, the “First-Out Secured Notes” and, the First-Out Secured Notes together with the Great American Secured Notes and the MBI Secured Note, the “Secured Notes”).

Schedule II:

Actions, Orders, Proceedings, Investigations

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

**SEVENTH OMNIBUS AMENDMENT
TO
SECURED NOTES
AND
AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES**

THIS SEVENTH OMNIBUS AMENDMENT TO SECURED NOTES AND AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of September 10, 2019, among HC2 Station Group, Inc., a Delaware corporation, and HC2 LPTV Holdings, Inc., a Delaware corporation (each a "Subsidiary Borrower" and, together, the "Subsidiary Borrowers"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Subsidiary Borrowers, the "Borrowers"), Great American Life Insurance Company, an Ohio corporation ("GALIC") and Great American Insurance Company, an Ohio corporation ("GAIC" and, together with GALIC, the "Initial Lenders"), Minority Brands, Inc., an Ohio Corporation ("MBI"), and Arena Limited SPV, LLC, a Delaware limited liability company (the "First-Out Lender" and, together with MBI and any other lender under any Additional Secured Note (as defined below) that becomes party to this Agreement pursuant to Section 2(a)(ii), the "Additional Lenders" and, together with the Initial Lenders, each a "Lender" and, collectively, the "Lenders" and, together with the Borrowers, each a "Party" and collectively, the "Parties").

WITNESSETH:

WHEREAS, the Borrowers have entered into the Existing Secured Notes (as defined on Schedule I-A hereto) with the applicable Lender or Lenders;

WHEREAS, the Subsidiary Borrowers and the Initial Lenders previously entered into the Agreement Re: Secured Notes, dated as of January 22, 2019 (the "Original Agreement Re: Secured Notes"), which, among other things, amended certain terms of the \$35,000,000 Secured Note (as defined on Schedule I-A hereto), provided for the issuance of Additional Secured Notes and contained certain provisions related to the administration or disposition of the Collateral;

WHEREAS, the Borrowers and certain of the Lenders previously entered into the Omnibus Amendment to Secured Notes, dated as of May 3, 2019 (the "Original Omnibus Amendment"), to add additional Collateral to secure the Existing Secured Notes, to add the Parent Borrower as an additional "Borrower" under the Secured Notes (as defined on Schedule I-B hereto) then outstanding, and to make certain other amendments thereto;

WHEREAS, the Borrowers and the Lenders previously entered into the Second Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of May 31, 2019 (the "Second Agreement Re: Secured Notes"), which, among other things, amended certain of the Secured Notes to permit the issuance of certain additional secured notes on the terms set forth therein, including the May First-Out Secured Note (as defined on Schedule I-A hereto) with the First-Out Lender, dated as of May 31, 2019, amended the Maturity Date

under such Secured Notes and made certain other amendments thereto as set forth therein and amended and restated the Original Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Third Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of June 28, 2019 (the “Third Agreement Re: Secured Notes”), which, among other things, amended the Existing Secured Notes to permit certain asset sales and extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Second Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of July 31, 2019 (the “Fourth Agreement Re: Secured Notes”), which further extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Third Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 2, 2019 (the “Fifth Agreement Re: Secured Notes”), which, among other things, permitted the issuance of the August First-Out Secured Note (as defined on Schedule I-A hereto) and amended and restated the Fourth Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Sixth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 30, 2019 (the “Sixth Agreement Re: Secured Notes”), which further extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Fifth Agreement Re: Secured Notes; and

WHEREAS, pursuant to this Agreement, the Parties wish to amend the Existing Secured Notes and amend and restate the Sixth Agreement Re: Secured Notes as set forth herein, including restating the terms on which Additional Secured Notes may be issued, restating the terms related to the administration or disposition of the Collateral, permitting the issuance of the September First-Out Secured Note (as defined on Schedule I-B hereto), and permitting the First-Out Secured Notes (as defined on Schedule I-B hereto) as “First-Out Debt” and “First-Out Obligations” (each as defined herein).

Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Secured Notes.

In consideration of the premises, the mutual covenants, and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant, agree and represent, as applicable, as follows:

Section 1. Certain Amendments and Understandings with respect to the Existing Secured Notes.

(a) Amendments.

(i) The following defined term contained in each of the Existing Secured Notes is hereby amended and restated in its entirety as follows:

“Agreement Re: Secured Notes” means the Seventh Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of September 10, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

(ii) The following defined term contained in each of the Existing Secured Notes (other than the Existing First-Out Secured Notes) is hereby amended and restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral (including “First-Out Debt,” “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$64,700,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(iii) The following defined term contained in each of the Existing First-Out Secured Notes is hereby amended and restated in its entirety as follows:

“Permitted Indebtedness” means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$64,700,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction,

repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(b) Understandings of the Parties.

(i) The definition of “Permitted Indebtedness” in the September First-Out Secured Note shall be as set forth therein.

(ii) For greater certainty, the following defined terms contained in each of the Existing Secured Notes are hereby restated in their entirety as follows:

“**Maturity Date**” means the earlier of (a) September 30, 2019 and (b) the date on which all amounts under this Note shall become due and payable.

“**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

(iii) For greater certainty, Section 7.2(f) of each of the Existing Secured Notes (other than the August First-Out Secured Note) is hereby restated in its entirety as follows:

(f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in a single transaction or series of related transactions with a fair market value not to exceed \$2,500,000;

(iv) Section 7.2(f) of the August First-Out Secured Note and the September First-Out Secured Note shall be as set forth therein.

(v) Except as modified by this Agreement, the Original Omnibus Amendment remains in full force and effect.

Section 2. Agreement Re: Secured Notes.

(a) Issuance of Additional Secured Notes.

(i) Notwithstanding anything to the contrary herein or in the Secured Notes, without the consent of or prior notice to the Lenders, the Borrowers shall be permitted to issue one or more additional secured notes (each, an “Additional Secured Note” and, collectively, the “Additional Secured Notes”) to one or more Additional Lenders secured by the same Collateral as the Secured Notes and otherwise on substantially the same terms as the Secured Notes (including an interest rate not to exceed 8.5% per annum, a default rate not to exceed 2.0% per annum and a maturity date not earlier than the Maturity Date of each other Secured Note) to the extent permitted by the Secured Notes.

(ii) Substantially concurrently with the execution and delivery of any Additional Secured Note, each Additional Lender under such Additional Secured Note not then party hereto shall execute and deliver to the Borrowers a counterpart signature page to this Agreement, and thereby such Additional Lender shall have (i) agreed to be bound by all of the terms of this Agreement, (ii) assumed all rights and obligations of an “Additional Lender” and a “Lender” hereunder and (iii) be deemed to have made all of the representations and warranties thereof as of the date of the execution of such counterpart signature page.

(b) Collateral Matters.

(i) The obligations of each Lender under the Secured Notes or any Additional Secured Note, as applicable, shall be secured by the Collateral on a *pari passu* basis and any proceeds from the Collateral however received shall be distributed in accordance with clause (c) below.

(ii) Only the Initial Lenders may act or refrain from acting with respect to the Collateral or any proceeds therefrom. Without the express written consent of the Initial Lenders, no Additional Lender shall attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Collateral (provided, however, that the foregoing shall not prohibit any Additional Lender from taking any action to perfect its security interest in the Collateral, including by filing UCC financing statements).

(iii) Neither Initial Lender shall have by reason of this Agreement or any other related document a fiduciary relationship with respect to any Additional Lender, and each Additional Lender hereby waives and releases each Lender from all claims and liabilities arising pursuant to any Initial Lender’s role under this Agreement or any related document.

(c) Application of Proceeds.

(i) The Initial Lenders (and, to the extent permitted by Section 2(b)(ii), any Additional Lender) will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof in the following order of application:

FIRST, to the payment of any reasonable costs and expenses (including reasonable legal fees) incurred by any Initial Lender or indemnification obligations then due and payable to any Initial Lender pursuant to the Great American Secured Notes (as defined on Schedule I-A hereto), in each case, in connection with the administration or disposition of Collateral or any proceeds therefrom;

SECOND, to the repayment of obligations (other than Pari Passu Obligations (as defined below)) secured by a Permitted Prior Lien (as defined below) on any Collateral sold or realized upon;

THIRD, to the First-Out Lender for application to the payment of all outstanding First-Out Obligations (as defined below) that are then due and payable in an amount sufficient to discharge all First-Out Obligations;

FOURTH, after the discharge of all First-Out Obligations, to each other Lender for application to the equal and ratable payment of all other outstanding Pari Passu Obligations that are then due and payable in an amount sufficient to discharge all Pari Passu Obligations; and

FIFTH, any surplus remaining after the payment of amounts described in the preceding clauses will be paid to the Borrowers, or to such other persons as may be entitled to such amounts under applicable law or as a court of competent jurisdiction may direct.

(ii) "Excess First-Out Debt" means any obligations under First-Out Debt (other than the principal amount of, and regular installments of interest on, First-Out Debt) in excess of \$250,000.

(iii) "Excess First-Out Obligations" means Excess First-Out Debt and all other obligations in respect thereof.

(iv) "First-Out Debt" means the First-Out Secured Notes; provided that, for the avoidance of doubt, Excess First-Out Debt shall constitute Pari Passu Debt and not First-Out Debt.

(v) "First-Out Obligations" means First-Out Debt and all other obligations in respect thereof; provided that, for the avoidance of doubt, Excess First-Out Obligations shall constitute Pari Passu Obligations and not First-Out Obligations.

(vi) "Pari Passu Debt" means:

(1) all Secured Notes (other than the First-Out Secured Notes);

(2) all First-Out Debt;

(3) any Excess First-Out Debt; and

(4) any other indebtedness (including any Additional Secured Note) of the Borrowers that is secured equally and ratably with the Secured Notes (other than the First-Out Secured Notes), the First-Out Debt and any Excess First-Out Debt by a pari passu Lien that was permitted to be incurred under this Agreement and the Secured Notes.

(vii) "Pari Passu Obligations" means Pari Passu Debt and all other obligations in respect of Pari Passu Debt, including without limitation any post-petition interest whether or not allowable.

(viii) "Permitted Prior Lien" means any Lien that has priority over the Lien of the Lenders, which Lien was permitted under each Secured Note and any Additional Secured Note.

Section 3. Expenses.

(a) Expenses. The Borrowers jointly and severally agree to pay to the Initial Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Initial Lenders, including legal fees, in connection with (i) preparation, negotiation, and execution of this Agreement, the September First-Out Secured Note and any other documents executed in connection herewith, (ii) the transactions contemplated by this Agreement, including, but not limited to amendments to the Existing Secured Notes, and any other document executed in connection herewith, (iii) monitoring an Initial Lender's rights with respect to its obligations under this Agreement and (iv) the issuance of any Additional Secured Notes after the date hereof.

Section 4. Representations and Warranties.

(a) Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as of the date hereof as follows:

(i) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.

(ii) Each Borrower has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

(v) The financial statements of each Borrower as of and for the fiscal quarter ended June 30, 2019 previously delivered to the Lenders fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of such Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(vi) Except as disclosed to the Lenders on Schedule II hereto, (a) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower threatened before any court or Governmental Authority, agency or arbitration authority or (b) there is no outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.

(vii) (a) Each of the FCC Licenses issued to any Borrower is valid, binding, in full force and effect, and enforceable by such Borrower in accordance with its terms; (b) any Borrower that is the holder of each such FCC License has performed all obligations thereunder in all material respects and has not received written notice of intention to terminate any FCC License or written notice alleging a material default (other than letters of default that have been rescinded or with respect to defaults that have been cured or waived); and (c) no event caused by, relating to or affecting any Borrower that is the holder of an FCC License has occurred which (with or without the giving of notice or lapse of time, or both) would constitute a Material Adverse Change by any Borrower of the terms of such FCC License, the Communications Act of 1934, as amended (the "Communications Act"), or the rules, regulations, written policies, orders and decisions of the Federal Communications Commission ("FCC") adopted under the Communications Act, in each case as from time to time in effect (the "FCC Rules").

(viii) Except for proceedings affecting the broadcasting industry generally, neither Borrower is a party to or has knowledge of any investigation, notice of apparent liability, violation, forfeiture or other order or complaint issued by or before the FCC, or of any other proceedings which could in any manner threaten or adversely affect the validity or continued effectiveness of the FCC Licenses of any such Person or give rise to any order of forfeiture that would reasonably be expected to have a Material Adverse Change. Neither Borrower has any reason to believe that the FCC Licenses issued to any Borrower will not be renewed in the ordinary course. Each Borrower has

filed in a timely manner all material reports, applications, documents, instruments and information required to be filed by it pursuant to the FCC Rules. No licenses, authorizations, permits or other rights other than the FCC Licenses are required under the Communications Act or the FCC Rules to operate the respective businesses of the Borrowers in substantially the manner it is being operated as of the date of this Agreement.

(ix) Parent owns all of the issued and outstanding capital stock of each of the Operating Subsidiaries, and all such capital stock is validly issued, fully paid and non-assessable and is free and clear of all liens or adverse claims, other than the security interest in favor of the Lenders or as would not constitute a Material Adverse Change.

(x) No representation or warranty by any Borrower in this Agreement or in any of the other documents or instruments executed in connection herewith and no statement contained any certificate or other document furnished or to be furnished to the Lenders pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

(b) Representations and Warranties of the Lenders. Each Lender hereby represents and warrants as of the date hereof as follows:

(i) Each Lender is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Lender does a material volume of business.

(ii) Each Lender has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of such Lender. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Lender is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Lender and no provision of any existing agreement, mortgage, indenture or contract binding on such Lender or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

Section 5. Miscellaneous.

(a) Notices.

(i) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

If to the Borrowers:

HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

If to the Initial Lenders:

Great American Life Insurance Company and
Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: Tom Keitel and Tim Shipp

With copies to:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: John S. Fronduti and Mark A. Weiss

If to an Additional Lender:

Minority Brands, Inc.
653 McCorkle Boulevard
Suite P
Westerville, Ohio 43082
Attn: Richard Schlig

With copies to:

Koerner and Olender, P.C.
7020 Richard Drive
Bethesda, Maryland 20817
Attn: James Koerner

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(ii) Notices are deemed received (a) when delivered, if personally delivered, and (b) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(c) Submission to Jurisdiction. Each Party hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Agreement may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Party in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(d) Venue. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in the foregoing paragraph and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR

INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

(f) Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Agreement and the Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Successors and Assigns. This Agreement may be assigned by the Initial Lenders to any Person who is a “United States person” as defined in Section 7701(a)(30) of the Internal Revenue Code, as amended, and by the First-Out Lender to any of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by Section 2(b)(ii), to any of its affiliates); provided that, any such assignment or transfer shall be evidenced by the execution of a joinder or counterpart to this Agreement in the name of the assignee or transferee with terms and conditions identical to those herein. The Borrowers may not assign or transfer this Agreement or any of its rights hereunder without the prior written consent of Lenders holding a majority in aggregate principal amount of the Secured Notes and any Additional Secured Notes then outstanding (collectively, the “Majority Lenders”) and the First-Out Lender.

(h) Third Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the Borrowers and the Lenders (and the applicable Lenders’ respective permitted assigns).

(i) Interpretation. For purposes of this Agreement: (i) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (ii) the word “or” is not exclusive; and (iii) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(j) Amendments and Waivers. No term of this Agreement may be waived, modified, amended, amended and restated, or supplemented except by an instrument in writing signed by the Borrowers and the Majority Lenders. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the

foregoing, no provision of Section 2 may be waived, modified, amended, amended and restated, or supplemented in any manner whatsoever (whether set forth elsewhere in this Agreement or in any other agreement) without the written consent of each Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(k) Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(l) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by applicable Law.

(m) Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties 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 greatest extent possible.

(n) Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement.

(o) Publicity; Confidentiality. Except as may be required by applicable Law, none of the Parties shall issue a press release or public announcement or otherwise make any disclosure concerning this Agreement or the transactions contemplated hereby, without prior written consent of the other Parties. If any announcement is required by applicable Law to be made by a Party, prior to making such announcement or disclosure such Party, to the extent reasonably practicable, will deliver a draft of such announcement to the other party and shall give the other party a reasonable opportunity to comment thereon. Notwithstanding anything to the contrary herein, the Parties may (i) disclose the terms and provisions of this Agreement in, and/or file this Agreement as an exhibit to, any report required to be filed with the Securities and Exchange Commission and (ii) publish, make, repeat or otherwise use any statement previously consented to by the other Parties unless and until another Party objects in writing to the use thereof.

(p) This Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and any Secured Note or Additional Secured Note, this Agreement shall govern and be controlling.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Borrowers have executed this Agreement as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to
Seventh Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Seventh Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Stephen C. Beraha
Name: Stephen C. Beraha
Title: Assistant Vice President

[Signature Page to
Seventh Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

MINORITY BRANDS, INC.,
as an Additional Lender

By: /s/ Richard Schilg
Name:
Title:

[Signature Page to
Seventh Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

ARENA LIMITED SPV, LLC,
as the First-Out Lender and an Additional Lender

By: /s/ Lawrence Cutler
Name: Lawrence Cutler
Title: Authorized Signer

[Signature Page to
Seventh Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Schedule I-A:

Existing Secured Notes

1. US \$35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and the Initial Lenders (as amended by the Agreement Re: Secured Notes, the “\$35,000,000 Secured Note”).
2. US \$7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and the Initial Lenders (the “\$7,500,000 Secured Note” and, together with the \$35,000,000 Secured Note, the “Great American Secured Notes”).
3. US \$700,000 secured note, dated as of April 1, 2019, among the Borrowers and MBI, as amended by the letter agreement, dated as of July 31, 2019 and the letter agreement dated as of August 30, 2019 (the “MBI Secured Note”).
4. US \$10,750,000 secured note, dated as of May 31, 2019, among the Borrowers and the First-Out Lender (the “May First-Out Secured Note”).
5. US \$5,375,000 secured note, dated as of August 2, 2019, among the Borrowers and the First-Out Lender (the “August First-Out Secured Note” and, together with the May First-Out Secured Note, the “Existing First-Out Secured Notes” and, together with the Great American Secured Notes and the MBI Secured Note, the “Existing Secured Notes”).

Schedule I-B:

September First-Out Secured Note

6. US \$5,375,000 secured note, dated as of September 10, 2019, among the Borrowers and the First-Out Lender (the “September First-Out Secured Note” and, together with the Existing First-Out Secured Notes, the “First-Out Secured Notes” and, the First-Out Secured Notes together with the Great American Secured Notes and the MBI Secured Note, the “Secured Notes”).

Schedule II:

Actions, Orders, Proceedings, Investigations

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

**EIGHTH OMNIBUS AMENDMENT
TO
SECURED NOTES
AND
AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES**

THIS EIGHTH OMNIBUS AMENDMENT TO SECURED NOTES AND AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of September 26, 2019, among HC2 Station Group, Inc., a Delaware corporation, and HC2 LPTV Holdings, Inc., a Delaware corporation (each a "Subsidiary Borrower" and, together, the "Subsidiary Borrowers"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Subsidiary Borrowers, the "Borrowers"), Great American Life Insurance Company, an Ohio corporation ("GALIC") and Great American Insurance Company, an Ohio corporation ("GAIC" and, together with GALIC, the "Initial Lenders"), Minority Brands, Inc., an Ohio Corporation ("MBI"), and Arena Limited SPV, LLC, a Delaware limited liability company (the "First-Out Lender" and, together with MBI and any other lender under any Additional Secured Note (as defined below) that becomes party to this Agreement pursuant to Section 2(a)(ii), the "Additional Lenders" and, together with the Initial Lenders, each a "Lender" and, collectively, the "Lenders" and, together with the Borrowers, each a "Party" and collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, the Borrowers have entered into the Secured Notes (as defined on Schedule I hereto) with the applicable Lender or Lenders;

WHEREAS, the Subsidiary Borrowers and the Initial Lenders previously entered into the Agreement Re: Secured Notes, dated as of January 22, 2019 (the "Original Agreement Re: Secured Notes"), which, among other things, amended certain terms of the \$35,000,000 Secured Note (as defined on Schedule I hereto), provided for the issuance of Additional Secured Notes and contained certain provisions related to the administration or disposition of the Collateral;

WHEREAS, the Borrowers and certain of the Lenders previously entered into the Omnibus Amendment to Secured Notes, dated as of May 3, 2019 (the "Original Omnibus Amendment"), to add additional Collateral to secure the Secured Notes, to add the Parent Borrower as an additional "Borrower" under the Secured Notes then outstanding, and to make certain other amendments thereto;

WHEREAS, the Borrowers and the Lenders previously entered into the Second Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of May 31, 2019 (the "Second Agreement Re: Secured Notes"), which, among other things, amended certain of the Secured Notes to permit the issuance of certain additional secured notes on the terms set forth therein, including the May First-Out Secured Note (as defined on Schedule I hereto) with the First-Out Lender, dated as of May 31, 2019, amended the Maturity Date under

such Secured Notes and made certain other amendments thereto as set forth therein and amended and restated the Original Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Third Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of June 28, 2019 (the "Third Agreement Re: Secured Notes"), which, among other things, amended the Secured Notes to permit certain asset sales and extended the Maturity Date under the Secured Notes as set forth therein and amended and restated the Second Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fourth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of July 31, 2019 (the "Fourth Agreement Re: Secured Notes"), which further extended the Maturity Date under the Secured Notes as set forth therein and amended and restated the Third Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Fifth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 2, 2019 (the "Fifth Agreement Re: Secured Notes"), which, among other things, permitted the issuance of the August First-Out Secured Note (as defined on Schedule I hereto) and amended and restated the Fourth Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Sixth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of August 30, 2019 (the "Sixth Agreement Re: Secured Notes"), which further extended the Maturity Date under the Existing Secured Notes as set forth therein and amended and restated the Fifth Agreement Re: Secured Notes;

WHEREAS, the Borrowers and the Lenders previously entered into the Seventh Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of September 10, 2019 (the "Seventh Agreement Re: Secured Notes"), which, among other things, permitted the issuance of the September First-Out Secured Note (as defined on Schedule I hereto), permitted the First-Out Secured Notes (as defined on Schedule I hereto) as "First-Out Debt" and "First-Out Obligations" (each as defined herein) and amended and restated the Sixth Agreement Re: Secured Notes; and

WHEREAS, pursuant to this Agreement, the Parties wish to amend the Secured Notes to further extend the Maturity Date under the Secured Notes as set forth herein and amend and restate the Seventh Agreement Re: Secured Notes.

Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Secured Notes.

In consideration of the premises, the mutual covenants, and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties covenant, agree and represent, as applicable, as follows:

Section 1. Certain Amendments and Understandings with respect to the Secured Notes.

(a) Amendments.

(i) The following defined terms contained in each of the Secured Notes are hereby amended and restated in their entirety as follows:

“**Maturity Date**” means the earlier of (a) October 31, 2019 and (b) the date on which all amounts under this Note shall become due and payable.

“**Agreement Re: Secured Notes**” means the Eight Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of September 26, 2019, among the Borrowers and the lenders from time to time party thereto, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

(b) Understandings of the Parties.

(i) For greater certainty, the following defined term contained in each of the Secured Notes (other than the First-Out Secured Notes) is hereby restated in its entirety as follows:

“**Permitted Indebtedness**” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral (including “First-Out Debt,” “First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$64,700,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(ii) The following defined term contained in the May First-Out Secured Note and the August First-Out Secured Note is hereby restated in its entirety as follows:

“**Permitted Indebtedness**” means (i) (a) the indebtedness incurred pursuant to this Note representing “First-Out Debt” (as defined in the Agreement Re: Secured Notes), (b) additional indebtedness secured by the Collateral (including

“First-Out Obligations,” “Pari Passu Debt” and “Pari Passu Obligations,” each as defined in the Agreement Re: Secured Notes) in an aggregate principal amount at any time outstanding of \$64,700,000 minus the principal amount of this Note and (c) any refinancing or replacement indebtedness in respect of indebtedness incurred pursuant to the foregoing clauses (a) and (b), plus all refinancing fees, expenses, costs and premiums in connection with any such refinancing or replacement, (ii) indebtedness in respect of Capital Lease Obligations and Purchase Money Obligations, in an aggregate principal amount not to exceed \$5,000,000, financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred by any Borrower after the acquisition, construction, repair, replacement, lease or improvement of the applicable asset and (iii) unsecured intercompany indebtedness between or among the Borrowers or unsecured intercompany indebtedness of the Parent Borrower pursuant to the intercompany note, executed as of April 30, 2019 and effective as of June 30, 2018 (and any refinancing or replacement indebtedness in respect thereof).

(iii) The definition of “Permitted Indebtedness” contained in the September First-Out Secured Note shall be as set forth therein.

(iv) For greater certainty, the following defined term contained in each of the Secured Notes is hereby restated in its entirety as follows:

“**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clause (i) of the definition of “Permitted Indebtedness,” (ii) Liens of lessors, lessees, sublessors, sublessees, licensors or licensees arising under real estate lease or license arrangements entered into in the ordinary course of business of the Borrowers, (iii) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable, (iv) Liens under Capital Lease Obligations, provided, that (1) any such Lien attaches to such property concurrently with the acquisition thereof and (2) such Lien attaches solely to the property so acquired in such transaction (and the proceeds therefrom), (v) Liens for taxes, assessments and other governmental charges or levies (1) not yet due or for which installments have been paid based on reasonable estimates pending final assessments or (2) the validity, applicability or amount of which is being contested diligently and in good faith by appropriate proceedings by that Person and in respect of which adequate reserves under GAAP are established and maintained and (vi) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment.

(v) For greater certainty, Section 7.2(f) of each of the Secured Notes (other than the August First-Out Secured Note and the September First-Out Secured Note) is hereby restated in its entirety as follows:

(f) permit or cause the sale of any assets of such Borrower or its subsidiaries, except (i) as set forth on Schedule 7.2(e) hereto, (ii) as permitted by Section 7.2(g) or (iii) for sales of any such assets not constituting Collateral in
a

single transaction or series of related transactions with a fair market value not to exceed \$2,500,000;

(vi) Section 7.2(f) of the August First-Out Secured Note and the September First-Out Secured Note shall be as set forth therein.

(vii) Except as modified by this Agreement, the Original Omnibus Amendment remains in full force and effect.

Section 2. Agreement Re: Secured Notes.

(a) Issuance of Additional Secured Notes.

(i) Notwithstanding anything to the contrary herein or in the Secured Notes, without the consent of or prior notice to the Lenders, the Borrowers shall be permitted to issue one or more additional secured notes (each, an “Additional Secured Note” and, collectively, the “Additional Secured Notes”) to one or more Additional Lenders secured by the same Collateral as the Secured Notes and otherwise on substantially the same terms as the Secured Notes (including an interest rate not to exceed 8.5% per annum, a default rate not to exceed 2.0% per annum and a maturity date not earlier than the Maturity Date of each other Secured Note) to the extent permitted by the Secured Notes.

(ii) Substantially concurrently with the execution and delivery of any Additional Secured Note, each Additional Lender under such Additional Secured Note not then party hereto shall execute and deliver to the Borrowers a counterpart signature page to this Agreement, and thereby such Additional Lender shall have (i) agreed to be bound by all of the terms of this Agreement, (ii) assumed all rights and obligations of an “Additional Lender” and a “Lender” hereunder and (iii) be deemed to have made all of the representations and warranties thereof as of the date of the execution of such counterpart signature page.

(b) Collateral Matters.

(i) The obligations of each Lender under the Secured Notes or any Additional Secured Note, as applicable, shall be secured by the Collateral on a *pari passu* basis and any proceeds from the Collateral however received shall be distributed in accordance with clause (c) below.

(ii) Only the Initial Lenders may act or refrain from acting with respect to the Collateral or any proceeds therefrom. Without the express written consent of the Initial Lenders, no Additional Lender shall attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Collateral (provided, however, that the foregoing shall not prohibit any Additional Lender from taking any action to perfect its security interest in the Collateral, including by filing UCC financing statements).

(iii) Neither Initial Lender shall have by reason of this Agreement or any other related document a fiduciary relationship with respect to any Additional Lender, and each Additional Lender hereby waives and releases each Lender from all claims and

liabilities arising pursuant to any Initial Lender's role under this Agreement or any related document.

(c) Application of Proceeds.

(i) The Initial Lenders (and, to the extent permitted by Section 2(b)(ii), any Additional Lender) will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof in the following order of application:

FIRST, to the payment of any reasonable costs and expenses (including reasonable legal fees) incurred by any Initial Lender or indemnification obligations then due and payable to any Initial Lender pursuant to the Great American Secured Notes (as defined on Schedule I hereto), in each case, in connection with the administration or disposition of Collateral or any proceeds therefrom;

SECOND, to the repayment of obligations (other than Pari Passu Obligations (as defined below)) secured by a Permitted Prior Lien (as defined below) on any Collateral sold or realized upon;

THIRD, to the First-Out Lender for application to the payment of all outstanding First-Out Obligations (as defined below) that are then due and payable in an amount sufficient to discharge all First-Out Obligations;

FOURTH, after the discharge of all First-Out Obligations, to each other Lender for application to the equal and ratable payment of all other outstanding Pari Passu Obligations that are then due and payable in an amount sufficient to discharge all Pari Passu Obligations; and

FIFTH, any surplus remaining after the payment of amounts described in the preceding clauses will be paid to the Borrowers, or to such other persons as may be entitled to such amounts under applicable law or as a court of competent jurisdiction may direct.

(ii) "Excess First-Out Debt" means any obligations under First-Out Debt (other than the principal amount of, and regular installments of interest on, First-Out Debt) in excess of \$250,000.

(iii) "Excess First-Out Obligations" means Excess First-Out Debt and all other obligations in respect thereof.

(iv) "First-Out Debt" means the First-Out Secured Notes; provided that, for the avoidance of doubt, Excess First-Out Debt shall constitute Pari Passu Debt and not First-Out Debt.

(v) “First-Out Obligations” means First-Out Debt and all other obligations in respect thereof; provided that, for the avoidance of doubt, Excess First-Out Obligations shall constitute Pari Passu Obligations and not First-Out Obligations.

(vi) “Pari Passu Debt” means:

(1) all Secured Notes (other than the First-Out Secured Notes);

(2) all First-Out Debt;

(3) any Excess First-Out Debt; and

(4) any other indebtedness (including any Additional Secured Note) of the Borrowers that is secured equally and ratably with the Secured Notes (other than the First-Out Secured Notes), the First-Out Debt and any Excess First-Out Debt by a pari passu Lien that was permitted to be incurred under this Agreement and the Secured Notes.

(vii) “Pari Passu Obligations” means Pari Passu Debt and all other obligations in respect of Pari Passu Debt, including without limitation any post-petition interest whether or not allowable.

(viii) “Permitted Prior Lien” means any Lien that has priority over the Lien of the Lenders, which Lien was permitted under each Secured Note and any Additional Secured Note.

Section 3. Expenses.

(a) Expenses. The Borrowers jointly and severally agree to pay to the Initial Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Initial Lenders, including legal fees, in connection with (i) preparation, negotiation, and execution of this Agreement and any other documents executed in connection herewith, (ii) the transactions contemplated by this Agreement, including, but not limited to amendments to the Secured Notes, and any other document executed in connection herewith, (iii) monitoring an Initial Lender’s rights with respect to its obligations under this Agreement and (iv) the issuance of any Additional Secured Notes after the date hereof.

Section 4. Representations and Warranties.

(a) Representations and Warranties of the Borrowers. Each Borrower hereby represents and warrants as of the date hereof as follows:

(i) Each Borrower is a corporation, duly organized, validly existing and in good standing under the Laws of Delaware and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Borrower does a material volume of business.

(ii) Each Borrower has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of the board of directors of such Borrower. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Borrower is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Borrower and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

(v) The financial statements of each Borrower as of and for the fiscal quarter ended June 30, 2019 previously delivered to the Lenders fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of such Borrower in accordance with GAAP and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(vi) Except as disclosed to the Lenders on Schedule II hereto, (a) there is no action, claim, notice of violation, order to show cause, complaint, investigation, or proceeding involving any Borrower pending or, to the knowledge of any Borrower threatened before any court or Governmental Authority, agency or arbitration authority or (b) there is no outstanding decree, decision, judgment, or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses.

(vii) (a) Each of the FCC Licenses issued to any Borrower is valid, binding, in full force and effect, and enforceable by such Borrower in accordance with its terms; (b) any Borrower that is the holder of each such FCC License has performed all obligations thereunder in all material respects and has not received written notice of intention to terminate any FCC License or written notice alleging a material default (other than letters of default that have been rescinded or with respect to defaults that have been cured or waived); and (c) no event caused by, relating to or affecting any Borrower that is the holder of an FCC License has occurred which (with or without the giving of notice or lapse of time, or both) would constitute a Material Adverse Change by any Borrower of the terms of such FCC License, the Communications Act of 1934, as amended (the "Communications Act"), or the rules, regulations, written policies, orders and decisions of the Federal Communications Commission ("FCC") adopted under the Communications Act, in each case as from time to time in effect (the "FCC Rules").

(viii) Except for proceedings affecting the broadcasting industry generally, neither Borrower is a party to or has knowledge of any investigation, notice of apparent liability, violation, forfeiture or other order or complaint issued by or before the FCC, or of any other proceedings which could in any manner threaten or adversely affect the validity or continued effectiveness of the FCC Licenses of any such Person or give rise to any order of forfeiture that would reasonably be expected to have a Material Adverse Change. Neither Borrower has any reason to believe that the FCC Licenses issued to any Borrower will not be renewed in the ordinary course. Each Borrower has filed in a timely manner all material reports, applications, documents, instruments and information required to be filed by it pursuant to the FCC Rules. No licenses, authorizations, permits or other rights other than the FCC Licenses are required under the Communications Act or the FCC Rules to operate the respective businesses of the Borrowers in substantially the manner it is being operated as of the date of this Agreement.

(ix) Parent owns all of the issued and outstanding capital stock of each of the Operating Subsidiaries, and all such capital stock is validly issued, fully paid and non-assessable and is free and clear of all liens or adverse claims, other than the security interest in favor of the Lenders or as would not constitute a Material Adverse Change.

(x) No representation or warranty by any Borrower in this Agreement or in any of the other documents or instruments executed in connection herewith and no statement contained any certificate or other document furnished or to be furnished to the Lenders pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

(b) Representations and Warranties of the Lenders. Each Lender hereby represents and warrants as of the date hereof as follows:

(i) Each Lender is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, as applicable, and has the power and authority to own its property and to carry on its business in each jurisdiction in which such Lender does a material volume of business.

(ii) Each Lender has full power and authority to execute and deliver this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action of such Lender. No consent or approval of any public authority or other third party is required as a condition to the validity of this Agreement, and each Lender is in compliance with all Laws and regulatory requirements to which it is subject.

(iii) This Agreement constitutes the valid and legally binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

(iv) There is no charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of each Lender and no provision of any existing agreement, mortgage, indenture or contract binding on such Lender or affecting its property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement.

Section 5. Miscellaneous.

(a) Notices.

(i) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing and shall be given by personal delivery or nationally recognized overnight courier, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

If to the Borrowers:

HC2 Broadcasting Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
c/o HC2 Holdings, Inc.
450 Park Avenue, 30th Floor
New York, New York 10022
Attn: Rebecca Hanson

If to the Initial Lenders:

Great American Life Insurance Company and
Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: Tom Keitel and Tim Shipp

With copies to:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street
27th Floor
Cincinnati, Ohio 45202
Attn: John S. Fronduti and Mark A. Weiss

If to an Additional Lender:

Minority Brands, Inc.
653 McCorkle Boulevard

Suite P
Westerville, Ohio 43082
Attn: Richard Schlig

With copies to:

Koerner and Olender, P.C.
7020 Richard Drive
Bethesda, Maryland 20817
Attn: James Koerner

Arena Limited SPV, LLC
405 Lexington Avenue
59th Floor
New York, New York 10174

With copies to:

Winston & Strawn LLP
200 Park Avenue
New York, NY 10166
Attn: John Kalyvas

(ii) Notices are deemed received (a) when delivered, if personally delivered, and (b) on the next Business Day after tender for delivery if delivered by reputable overnight courier service.

(b) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES WHICH WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(c) Submission to Jurisdiction. Each Party hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Agreement may be brought in the state and federal courts located in the State of New York, County of New York, Borough of Manhattan and (ii) submits to the jurisdiction of any such court in any such action, suit or proceeding. Final judgment against any Party in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(d) Venue. Each Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court

referred to in the foregoing paragraph and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

(f) Counterparts; Integration; Effectiveness. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. This Agreement and the Secured Notes constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Successors and Assigns. This Agreement may be assigned by the Initial Lenders to any Person who is a “United States person” as defined in Section 7701(a)(30) of the Internal Revenue Code, as amended, and by the First-Out Lender to any of its controlled affiliates (or in the event of any foreclosure or exercise of rights or remedies with respect to the Collateral permitted by Section 2(b)(ii), to any of its affiliates); provided that, any such assignment or transfer shall be evidenced by the execution of a joinder or counterpart to this Agreement in the name of the assignee or transferee with terms and conditions identical to those herein. The Borrowers may not assign or transfer this Agreement or any of its rights hereunder without the prior written consent of Lenders holding a majority in aggregate principal amount of the Secured Notes and any Additional Secured Notes then outstanding (collectively, the “Majority Lenders”) and the First-Out Lender.

(h) Third Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the Borrowers and the Lenders (and the applicable Lenders’ respective permitted assigns).

(i) Interpretation. For purposes of this Agreement: (i) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (ii) the word “or” is not exclusive; and (iii) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This

Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

(j) Amendments and Waivers. No term of this Agreement may be waived, modified, amended, amended and restated, or supplemented except by an instrument in writing signed by the Borrowers and the Majority Lenders. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the foregoing, no provision of Section 2 may be waived, modified, amended, amended and restated, or supplemented in any manner whatsoever (whether set forth elsewhere in this Agreement or in any other agreement) without the written consent of each Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

(k) Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(l) No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising on the part of any Lender, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by applicable Law.

(m) Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties 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 greatest extent possible.

(n) Further Assurances. The Parties irrevocably (i) consent to the transactions contemplated hereby and (ii) shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all assurances as may reasonably be necessary or desirable to give effect to the terms of this Agreement.

(o) Publicity; Confidentiality. Except as may be required by applicable Law, none of the Parties shall issue a press release or public announcement or otherwise make any disclosure concerning this Agreement or the transactions contemplated hereby, without prior written consent of the other Parties. If any announcement is required by applicable Law to be made by a Party, prior to making such announcement or disclosure such Party, to the extent reasonably practicable, will deliver a draft of such announcement to the other party and shall give the other party a reasonable opportunity to comment thereon. Notwithstanding anything to the contrary herein, the Parties may (i) disclose the terms and provisions of this Agreement in, and/or file this Agreement as an exhibit to, any report required to be filed with the Securities and Exchange Commission and (ii) publish, make, repeat or otherwise use any statement previously

consented to by the other Parties unless and until another Party objects in writing to the use thereof.

(p) This Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and any Secured Note or Additional Secured Note, this Agreement shall govern and be controlling.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Borrowers have executed this Agreement as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: /s/ Ivan Minkov
Name: Ivan P. Minkov
Title: Chief Financial Officer

[Signature Page to
Eighth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Mark F. Muething
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Sue A. Erhart
Title: Senior Vice President

[Signature Page to
Eighth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Accepted and agreed:

GREAT AMERICAN LIFE
INSURANCE COMPANY,
as an Initial Lender

By: _____
Name: Mark F. Muething
Title: President

GREAT AMERICAN
INSURANCE COMPANY,
as an Initial Lender

By: /s/ Sue A. Erhart
Name: Sue A. Erhart
Title: Senior Vice President

[Signature Page to
Eighth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

MINORITY BRANDS, INC.,
as an Additional Lender

By: /s/ Richard Schilg
Name: Richard Schilg
Title: Chief Executive Officer

[Signature Page to
Eighth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

ARENA LIMITED SPV, LLC,
as the First-Out Lender and an Additional Lender

By: /s/ Lawrence Cutler

Name: Lawrence Cutler

Title: Authorized Signer

[Signature Page to
Eighth Omnibus Amendment and Amended and Restated Agreement Re: Secured Notes]

Schedule I:

Secured Notes

1. US \$35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and the Initial Lenders (as amended by the Agreement Re: Secured Notes, the “\$35,000,000 Secured Note”).
2. US \$7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and the Initial Lenders (the “\$7,500,000 Secured Note” and, together with the \$35,000,000 Secured Note, the “Great American Secured Notes”).
3. US \$700,000 secured note, dated as of April 1, 2019, among the Borrowers and MBI, as amended by the letter agreement, dated as of July 31, 2019 and the letter agreement, dated as of August 30, 2019 (the “MBI Secured Note”).
4. US \$10,750,000 secured note, dated as of May 31, 2019, among the Borrowers and the First-Out Lender (the “May First-Out Secured Note”).
5. US \$5,375,000 secured note, dated as of August 2, 2019, among the Borrowers and the First-Out Lender (the “August First-Out Secured Note”).
6. US \$5,375,000 secured note, dated as of September 10, 2019, among the Borrowers and the First-Out Lender (the “September First-Out Secured Note” and, together with the May First-Out Secured Note and the August First-Out Secured Note, the “First-Out Secured Notes” and, the First-Out Secured Notes together with the Great American Secured Notes and the MBI Secured Note, the “Secured Notes”).

Sch-I-1

Schedule II:

Actions, Orders, Proceedings, Investigations

- (1) *DTV America Corp., et al.*, Order and Consent Decree, 32 FCC Rcd 9129 (MB Oct. 31, 2017);
- (2) *Mako Communications LLC*, Order and Consent Decree, 31 FCC Rcd 112 (MB Jan. 13, 2016);
- (3) *Una Vez Mas Las Vegas License, LLC Licensee of KHDF-CA, Las Vegas, NV Facility Id No. 66807* , Forfeiture Order, 22 FCC Rcd 6355 (EB Mar. 28, 2007).

¹ The Parties to the Order and Consent Decree include DTV America Corporation, King Forward, Inc., Tiger Eye Broadcasting Corporation, and Tiger Eye Licensing, LLC, as licensees, and HC2 Broadcasting Inc. and HC2 Broadcasting License Inc., as proposed assignees/transferees and successors-in-interest. The Parties agreed to implement a compliance plan for three years (*i.e.* until October 31, 2020). The FCC authorizations subject to the Consent Decree are listed in Appendix A to the Consent Decree.

² Mako Communications LLC (“**Mako**”), predecessor-in-interest to HC2 LPTV Station Group, entered into a Consent Decree with the FCC’s Media Bureau to resolve alleged violations of the FCC’s public inspection file rules by station KNBX-CD (FID 33819). Mako and its successors-in-interest agreed to implement a compliance plan for two years (*i.e.*, until January 13, 2018) under the terms of the Consent Decree. The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

³ The FCC found Una Vez Mas Las Vegas License, LLC, predecessor-in-interest to HC2 Station Group, liable for a monetary forfeiture in the amount of \$6,400 for willful and repeated violation of section 73.3526 of the FCC’s rules by KHDF-CA (FID 66807). The requirements of this Order and Consent Decree have likely been satisfied or expired but are noted here out of an abundance of caution.

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: November 5, 2019

By: /s/ Philip A. Falcone

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

CERTIFICATIONS

I, Michael J. 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: November 5, 2019

By: /s/ Michael J. Sena

Name:	Michael J. Sena
Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

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 J. Sena, the Chief Financial Officer (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 September 30, 2019, 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: November 5, 2019

/s/ Philip A. Falcone

Philip A. Falcone
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael J. Sena

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