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

FORM 10-K

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

For the fiscal year ended December 31, 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	**54-1708481**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
450 Park Avenue, 30th Floor, New York, NY	**10022**
(Address of principal executive offices)	**(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No x

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 x 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 x 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.:

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

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 ☒

The aggregate market value of HC2's common stock held by non-affiliates of the registrant as of June 30, 2019 was approximately $102,463,108, based on the closing sale price of the Common Stock on such date.

As of February 29, 2020, 46,154,398 shares of common stock, par value $0.001, were outstanding.

Documents Incorporated by Reference:

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the registrant's 2020 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Unless the context otherwise requires, in this Annual Report on Form 10-K, "HC2," means HC2 Holdings, Inc. and the "Company," "we" and "our" mean HC2 together with its consolidated subsidiaries.

This Annual Report on Form 10-K contains forward-looking statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Special Note Regarding Forward-Looking Statements."

General

HC2 is a diversified holding company that seeks opportunities to acquire and grow businesses that can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. As of December 31, 2019, our eight reportable operating segments based on management's organization of the enterprise included Construction, Marine Services, Energy, Telecommunications, Insurance, Life Sciences, Broadcasting and Other, which includes businesses that do not meet the separately reportable segment thresholds.

Our principal operating subsidiaries include the following assets:

(i) DBM Global Inc. ("DBMG") (Construction), a family of companies providing fully integrated structural and steel construction services;
(ii) Global Marine Group ("GMSL") (Marine Services), a leading provider of engineering and underwater services on submarine cables;
(iii) American Natural Energy Corp. ("ANG") (Energy), a compressed natural gas fueling company;
(iv) PTGi-International Carrier Services Inc. ("ICS") (Telecommunications), a provider of internet-based protocol and time-division multiplexing access for the transport of long-distance voice minutes;
(v) Continental Insurance Group Ltd. ("CIG") (Insurance), a platform for our run-off long-term care and life and annuity business, through its insurance company, Continental General Insurance Company ("CGI" or the "Insurance Company");
(vi) Pansend Life Sciences, LLC ("Pansend") (Life Sciences), our subsidiary focused on supporting healthcare and biotechnology product development;
(vii) HC2 Broadcasting Holdings Inc. and its subsidiaries ("HC2 Broadcasting"), a strategic acquirer and operator of Over-The-Air ("OTA") broadcasting stations across the United States ("U.S.") and Puerto Rico. In addition, 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; and
(viii) Other, which 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.

We expect to continue to focus on acquiring and investing in businesses with attractive assets that we consider to be undervalued or fairly valued, and growing our acquired businesses.

Overall Business Strategy

We evaluate strategic and business alternatives, which may include the following: acquiring assets or businesses unrelated to our current or historical operations; operating, growing or acquiring additional assets or businesses related to our current or historical operations; or winding down or selling our existing operations. We generally pursue either controlling positions in durable, cash-flow generating businesses or companies we believe exhibit substantial growth potential. We may choose to actively assemble or re-assemble a company's management team to ensure the appropriate expertise is in place to execute the operating objectives of such business. We view ourselves as strategic and financial partners and seek to align our management teams' incentives with our goal of delivering sustainable long-term value to our stakeholders.

As part of any acquisition strategy, we may raise capital in the form of debt or equity securities (including preferred stock) or a combination thereof. We have broad discretion in selecting a business strategy for the Company. If we elect to pursue an acquisition, we have broad discretion in identifying and selecting both the industry and the possible acquisition or business combination opportunity. We have not identified a specific industry to focus on and there can be no assurance that we will, or we will be able to, identify or successfully complete any such transaction. In connection with evaluating these strategic and business alternatives, we may at any time be engaged in ongoing discussions with respect to possible acquisitions, business combinations and debt or equity securities offerings of widely varying sizes. There can be no assurance that any of these discussions will result in a definitive agreement and if they do, what the terms or timing of any agreement would be.

Competition

From a strategic perspective, we encounter competition for acquisition and business opportunities from other entities having similar business objectives, such as strategic investors and private equity firms, which could lead to higher prices for acquisition targets. Many of these entities are well established and have extensive experience identifying and executing transactions directly or through affiliates. Our financial resources and human resources may be relatively limited when contrasted with many of these competitors which may place us at a competitive disadvantage. Finally, managing rapid growth could create higher corporate expenses, as compared to many of our competitors who may be at a different stage of growth, which could affect our ability to compete for strategic opportunities. Competitive conditions affecting our operating businesses are described in the discussions below.

Employees

As of December 31, 2019, we had approximately 3,728 employees, including the employees of our operating businesses as described in more detail below. We consider our relations with our employees to be satisfactory.

Our Operating Subsidiaries

Construction Segment (DBMG)

DBM Global Inc. is a fully integrated Industrial Construction, Structural Steel, and Facility Maintenance provider who provides 3D Building Information Modeling ("BIM"), detailing, fabrication, and erection of structural steel and heavy steel plate, heavy mechanical and facility maintenance services. DBMG provides these services on commercial, industrial, and infrastructure construction projects such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas and stadiums, shopping malls, hospitals, dams, bridges, mines, metal processing, refineries, pulp and paper mills, 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 its Aitken business ("Aitken"), DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. Through its most recent acquisition, GrayWolf Industrial ("GrayWolf"), DBMG also provides heavy mechanical, maintenance, repair, and installation services to a diverse set of end markets, including power, petrochemical, pulp & paper, and refinery. Headquartered in Phoenix, Arizona, DBMG has domestic operations in Alabama, Arizona, California, Georgia, Kansas, Kentucky, Oregon, South Carolina, Texas, Utah, and Washington with construction projects primarily located in the aforementioned states. DBMG also has international operations located in Australia, Canada, India, New Zealand, the Philippines, Thailand, and the United Kingdom.

DBMG’s results of operations are affected primarily by (i) the level of commercial, industrial and infrastructure construction, as well as the need for mechanical and maintenance services in its principal markets; (ii) its ability to win project contracts; (iii) the number and complexity of project changes requested by customers or general contractors; (iv) its success in utilizing its resources at or near full capacity; and (v) its ability to complete contracts on a timely and cost-effective basis. The level of commercial, industrial and infrastructure construction activity is related to several factors, including local, regional and national economic conditions, interest rates, availability of financing, and the supply of existing facilities relative to demand.

Strategy

DBMG’s objective is to achieve and maintain a leading position in the geographic regions and project segments that it serves by providing timely, high-quality services to its customers. DBMG pursues this objective with a strategy comprised of the following components:

- *Pursue Large, Value-Added Design-Build Projects:* DBMG’s unique ability to offer design-build services, a full range of steel construction services and project management capabilities makes it a preferred partner for complex, design-build fabrication projects in the geographic regions it serves. This capability often enables DBMG to bid against fewer competitors in a less traditional, more negotiated selection process on these kinds of projects, thereby offering the potential for higher margins while providing overall cost savings and project flexibility and efficiencies to its customers;

- *Expand and Diversify Revenue Base:* DBMG is seeking to expand and diversify its revenue base by leveraging its long-term relationships with national and multi-national construction and engineering firms, national and regional accounts and other customers. DBMG also intends to continue to grow its operations by targeting smaller projects that carry higher margins and less risk of large margin fluctuations. DBMG believes that continuing to diversify its revenue base by completing smaller projects-such as low-rise office buildings, healthcare facilities and other commercial and industrial structures-could reduce the impact of periodic adverse market or economic conditions, as well as the margin slippage that may accompany larger projects;

- *Emphasize Innovative Services:* DBMG focuses its BIM modeling, design-build, engineering, detailing, fabrication and erection expertise on larger, more complex projects, where it typically experiences less competition and more advantageous negotiated contract opportunities. DBMG has extensive experience in providing services requiring complex BIM modeling, detailing, fabrication and erection techniques and other unusual project needs, such as BIM coordination, specialized transportation, steel treatment or specialty coating applications. These service capabilities have enabled DBMG to address such design-sensitive projects as stadiums and uniquely designed hotels and casinos; and

- *Diversify Customer and Product Base:* Although DBMG seeks to achieve a leading share of the geographic and product markets in which it traditionally competes, it also seeks to diversify its product offerings and geographic markets through acquisition. By expanding the portfolio of products offered and geographic markets served, DBMG believes that it will be able to offer more value-added services to existing and new potential customers, as well as to reduce the impact of periodic adverse market or economic conditions.

Services and Customers

DBMG consists of five business units spread across diverse markets: Schuff Steel Company ("SSC") (steel fabrication and erection), Schuff Steel Management Company ("SSMC") (management of smaller projects, leveraging subcontractors), DBM Vircon ("DBM Vircon") (steel detailing, rebar detailing, bridge detailing, BIM modeling services and BIM management services), the Aitken product line ("Aitken") (manufacturing of equipment for the oil and gas industry), and GrayWolf (specialty facility maintenance, repair, and installation services). For the fiscal year ended December 31, 2019 revenues were as follows (in millions):

	Revenue	% of Revenue
SSC	$ 470.3	65.9 %
SSMC	50.0	7.0 %
DBM Vircon	44.9	6.3 %
Aitken	9.2	1.3 %
GrayWolf	138.9	19.5 %
	$ 713.3	100.0 %

The majority of DBMG's business is in North America, but DBM Vircon provides detailing services on five continents, and SSC provides fabricated steel to Canada and other select countries. In 2019, DBMG's two largest customers represented approximately 20.2% of revenues. In 2018, DBMG’s two largest customers represented approximately 28.0% of revenues.

DBMG’s size gives it the production capacity to complete large-scale, demanding projects, with typical utilization per facility ranging from 68%-99% and a sales pipeline that includes over $822 million in potential revenue generation. DBMG believes it has benefited from being one of the largest players in a market that is highly fragmented across many small firms.

DBMG achieves a highly efficient and cost-effective construction process by focusing on collaborating with all project participants and utilizing its extensive design-build and design-assist capabilities with its clients. Additionally, DBMG has in-house fabrication and erection combined with access to a network of subcontractors for smaller projects in order to provide high-quality solutions for its customers. DBMG offers a range of services across a broad geography through its eleven fabrication shops in the United States and 31 sales and management facilities located in the United States, Australia, Canada, India, New Zealand, the Philippines, Thailand and the UK.

DBMG operates with minimal bonding requirements, with a current balance of 21% of DBMG's backlog (out of a total backlog of $497.7 million) as of December 31, 2019, and bonding is reduced as projects are billed, rather than upon completion. DBMG has limited its raw material cost exposure by securing fixed prices from mills at contract bid, as well as by utilizing its purchasing power as one of the largest domestic buyers of wide flange beams in the United States.

SSC offers a variety of services to its customers which it believes enhances its ability to obtain and successfully complete projects. These services fall into six distinct groups: design-assist/design-build, pre-construction design and budgeting, steel management, fabrication, erection, and BIM:

- *Design-Assist/Design-Build:* Using the latest technology and BIM, DBMG works to provide clients with cost-effective steel designs. The end result is turnkey-ready, structural steel solutions for its diverse client base;

- *Pre-Construction Design and Budgeting:* Clients who contact DBMG in the early stages of planning can receive a DBMG-performed analysis of the structure and cost breakdown. Both of these tools allow clients to accurately plan and budget for any upcoming project;

- *Steel Management:* Using DBMG’s proprietary SIMS, DBMG can track any piece of steel and instantly know its location. Additionally, DBMG can help clients manage steel subcontracts, providing clients with savings on raw steel purchases and giving them access to a variety of DBMG-approved subcontractors;

- *Fabrication:* Through its eight fabrication shops in Arizona, California, Texas, Kansas, South Carolina, and Utah, SSC has one of the highest fabrication capacities in the United States, with over 1.5 million square feet under roof and a maximum annual fabrication capacity of approximately 342,000 tons;

- *Erection:* Named the top steel erector in the United States for 2007, 2008, 2011, and from 2013-2019 by Engineering News-Record, SSC knows how to add value to its projects through the safe and efficient erection of steel structures; and

- *BIM:* DBMG uses BIM on every project to manage its role efficiently. Additionally, DBMG's use of Steel Integrated Management Systems ("SIMS") in conjunction with its BIM platform Visualizer allows for real-time reporting on a project's progress and an information-rich model review.

SSMC provides turn-key steel fabrication and erection services with expertise in project management. Leveraging such strengths, SSMC uses its relationships with reliable subcontractors and erectors, along with state-of-the-art management systems, to deliver excellence to clients.

Aitken is a manufacturer of equipment used in the oil, gas, petrochemical and pipeline industries. Aitken supplies the following products both nationwide and internationally:

- *Strainers*: Temporary cone and basket strainers, tee-type strainers, vertical and horizontal permanent line strainers and fabricated duplex strainers;

- *Measurement Equipment:* Orifice meter tubes, orifice plates, orifice flanges, seal pots, flow nozzles, Venturi tubes, low loss tubes and straightening vanes; and

- *Major Products:* Spectacle blinds, paddle blinds, drip rings, bleed rings, and test inserts, ASME vessels, launchers and pipe spools.

DBM Vircon provides steel detailing, rebar detailing, BIM modeling and BIM management services for industrial and infrastructure and commercial construction projects in Australia, New Zealand, Europe and North America.

- *Steel Detailing:* Utilizing industry leading technologies, DBM Vircon provides steel detailing services which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping;

- *Rebar Detailing:* These services, including rebar detailing and estimating, are delivered by a staff experienced in rebar installation and familiar with the construction practices and constructability issues that arise on project sites. Deliverables include: field placement/shop drawings, field and/or phone support, 2D and 3D modeling, connection sketches, bar listing in ASA format, DGN files, and complete rebar estimating;

- *BIM Modeling:* Through multidisciplinary teams, DBM Vircon creates highly accurate, scaled virtual models of each structural component. These independent models and data are integrated and standardized to produce a single 3D model simulation of the entire structure using DBM Vircon's proprietary application, Visualizer. This integrated model contains complete information for all functional requirements of a project, including procurement and logistics, financial modeling, claims and litigation, fabrication, construction support and asset management;

- *BIM Management:* DBM Vircon is an industry leading provider of BIM management consultancy services ("BIM Management"), with clients ranging from government, industry organizations and general construction contractors. BIM Management of all project participants' input, use and development of the applicable model is integral to ensuring that the model remains the single point of reference. DBM Vircon's BIM Management service includes the governing of process and workflow management, which is a collection of defined model uses, workflows, and modeling methods used to achieve specific, repeatable and reliable information results from the model. The way the model is created and shared, and the sequencing of its application, impacts the effective and efficient use of BIM for desired project outcomes and decision support; and

- *Bridge Steel Detailing:* Utilizing industry leading technologies, DBM Vircon, through its wholly owned subsidiary Candraft Detailing, provides steel detailing services for bridges which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping.

GrayWolf 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. GrayWolf provides the following service types through its four major brands: GrayWolf Integrated Construction (formerly Titan Contracting), Inco Services, Milco National Constructors and Titan Fabricators.

- *Specialty mechanical contracting services:* GrayWolf offers specialty mechanical contracting services to the power, petrochemical, refining and other industrial markets. Its services including plant maintenance, specialty welding, equipment rigging, and mechanical construction to customers in the power, industrial, petrochemical, water treatment, and refining markets at a national level;

- *Specialty construction solutions for processing markets:* Customers in the pulp & paper, metals, mining & minerals, and petrochemical markets are able to receive specialized solutions including plant maintenance, process piping, equipment, and tank & vessel fabrication and erection that are catered to the needs and specifications of the customer's industry through the Inco Services brand;

- *Turnarounds, tank construction, and piping services:* GrayWolf offers services including plant maintenance, specialty welding, piping systems, and tanks & vessels construction to the power, refining, petrochemical, and water treatment markets in the Midwest, Mid-Atlantic, and West Coast; and

- *Custom steel fabrication:* GrayWolf offers engineering, design, modularization, and additional services to the heavy industrial markets in the Midwest and Gulf Coast.

Suppliers

DBMG currently purchases its steel from a variety of domestic and foreign steel producers but is not dependent on any one producer. During the year ended December 31, 2019, DBMG, through SSC, purchased approximately 58% of the total value of steel and steel components purchased from two domestic steel vendors. See Item 1A - Risk Factors - "Risks Related to the Construction segment" elsewhere in this document for discussion on DBMG's reliance on suppliers of steel and steel components.

Sales and Distributions

DBMG obtains contracts through competitive bidding or negotiation, which generally are fixed-price, cost-plus, unit cost, or time and material arrangements. Bidding and negotiations require DBMG to estimate the costs of the project up front, with most projects typically lasting from one to 12 months. However, large and more complex projects can often last two years or more.

Marketing

Sales managers lead DBMG's sales and marketing efforts. Each sales manager is primarily responsible for estimating sales and marketing efforts in defined geographic areas. In addition, DBMG employs full-time project estimators and chief estimators. DBMG's sales representatives build and maintain relationships with general contractors, architects, engineers and other potential sources of business to identify potential new projects. DBMG generates future project reports to track the weekly progress of new opportunities. DBMG's sales efforts are further supported by most of its executive officers and engineering personnel, who have substantial experience in the design, detailing, modeling, fabrication and erection of structural steel and heavy steel plate.

DBMG competes for new project opportunities through its relationships and interaction with its active and prospective customer base which provides valuable current market information and sales opportunities. In addition, DBMG is often contacted by governmental agencies in connection with public construction projects, and by large private-sector project owners, general contractors and engineering firms in connection with new building projects such as plants, warehouse and distribution centers, and other industrial and commercial facilities.

Upon selection of projects to bid or price, DBMG's estimating division reviews and prepares projected costs of shop, field, detail drawing preparation and crane hours, steel and other raw materials, and other costs. With respect to bid projects, a formal bid is prepared detailing the specific services and materials DBMG plans to provide, along with payment terms and project completion timelines. Upon acceptance, DBMG's bid proposal is finalized in a definitive contract.

Competition

The principal geographic and product markets DBMG serves are highly competitive, and this intense competition is expected to continue. DBMG competes with other contractors for commercial, industrial and specialty projects on a local, regional, or national basis. Continued service within these markets requires substantial resources and capital investment in equipment, technology and skilled personnel, and certain of DBMG's competitors have financial and operating resources greater than DBMG. Competition also places downward pressure on DBMG's contract prices and margins. The principal competitive factors within the industry are price, timeliness of project completion, quality, reputation, and the desire of customers to utilize specific contractors with whom they have favorable relationships and prior experience. While DBMG believes that it maintains a competitive advantage with respect to many of these factors, failure to continue to do so or to meet other competitive challenges could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Employees

As of December 31, 2019, DBMG employed approximately 2,980 people across the globe, including the U.S., Canada, Australia, New Zealand, India, Philippines, Thailand, and the UK. The number of persons DBMG employs on an hourly basis fluctuates directly in relation to the amount of business DBMG performs. Certain of the fabrication and erection personnel DBMG employs are represented by the United Steelworkers of America and the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers Union. DBMG is a party to several separate collective bargaining agreements with these unions in certain of its current operating regions, which expire (if not renewed) at various times in the future. Approximately 19% of DBMG's employees are covered under various collective bargaining agreements. As of December 31, 2019, most of DBMG's collective bargaining agreements are subject to automatic annual or other renewal unless either party elects to terminate the agreement on the scheduled expiration date. DBMG considers its relationship with its employees to be satisfactory and, other than sporadic and unauthorized work stoppages of an immaterial nature, none of which have been related to its own labor relations, DBMG has not experienced a work stoppage or other labor disturbance.

DBMG strategically utilizes third-party fabrication and erection subcontractors on many of its projects and also subcontracts detailing services from time to time when its management determines that this would be economically beneficial (and/or when DBMG requires additional capacity for such services). DBMG's inability to engage fabrication, erection and detailing subcontractors on favorable terms could limit its ability to complete projects in a timely manner or compete for new projects, which could have a material adverse effect on its operations.

Legal, Environmental and Insurance

DBMG 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 DBMG or that the resolution of any such matter will not have a material adverse effect upon DBMG or the Company's business, consolidated financial position, results of operations or cash flows. Neither DBMG nor the Company believes that any of such pending claims and legal proceedings will have a material adverse effect on its (or the Company's) business, consolidated financial position, results of operations or cash flows.

DBMG's operations and properties are affected by numerous federal, state and local environmental protection laws and regulations, such as those governing discharges to air and water and the handling and disposal of solid and hazardous wastes. These laws and regulations have become increasingly stringent and compliance with these laws and regulations has become increasingly complex and costly. There can be no assurance that such laws and regulations or their interpretation will not change in a manner that could materially and adversely affect DBMG's operations. Certain environmental laws, such as CERCLA (the Comprehensive Environmental Response, Compensation, and Liability Act) and its state law counterparts, provide for strict and joint and several liability for investigation and remediation of spills and other releases of toxic and hazardous substances. These laws may apply to conditions at properties currently or formerly owned or operated by an entity or its predecessors, as well as to conditions at properties at which wastes or other contamination attributable to an entity or its predecessors come to be located. Although DBMG has not incurred any material environmental related liability in the past and believes that it is in material compliance with environmental laws, there can be no assurance that DBMG, or entities for which it may be responsible, will not incur such liability in connection with the investigation and remediation of facilities it currently operates (or formerly owned or operated) or other locations in a manner that could materially and adversely affect its operations.

DBMG maintains commercial general liability insurance in the amount of $1.0 million per occurrence and $2.0 million in the aggregate. In addition, DBMG maintains umbrella coverage limits of $75.0 million. DBMG also maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction of its facilities and property. DBM maintains professional liability insurance in the amount of $10.0 million for professional services related to our work in steel erection and fabrication projects.

All policies are subject to various deductibles and coverage limitations. Although DBMG's management believes that its insurance is adequate for its present needs, there can be no assurance that it will be able to maintain adequate insurance at premium rates that management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Marine Services Segment (GMSL)

The Global Marine Group (GMSL) is an innovative worldwide market leader in offshore engineering and consists of three business units:

- Global Marine providing fiber optic cable solutions to the telecommunications and oil & gas markets;
- CWind delivering construction support and asset management services topside and subsea to the offshore renewables and utilities market; and
- Global Offshore delivering trenching and power cable lay and repair services to the offshore renewables & utilities market and oil & gas industry.

GMSL has two equity method investments in China, SB Submarine Systems and Huawei Marine. GMSL owns one of the world's largest offshore support vessel fleets. GMSL has installed over 300,000 kilometers of subsea cable.

Strategy Overview

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. In order to accomplish these goals, GMSL has developed a comprehensive strategy which includes:

- Developing opportunities in the offshore power market;
- Diversifying the business by pursuing growth within its three market segments (telecommunications, offshore power and oil & gas), which it believes will strengthen its quality of earnings and reduce exposure to one particular market segment;
- Retaining and building its leading position in telecommunications maintenance and installation;
- Working to develop convergence of its maintenance services across all three market segments; and
- Pursuing targeted mergers and acquisitions, equity investments, partnerships and opportunities to build a larger operating platform that can benefit from increased operating efficiencies.

GMSL has a highly experienced management team with a proven track record and has demonstrated the ability to enter new markets and generate returns for investors from its three business units.

Global Marine

Global Marine is a market leader in subsea fiber optic cable installation and maintenance solutions to the telecoms sector amongst others. Global Marine is recognized as a high quality, strategic partner with a successful track record across the industry. Global Marine has a long, well-established reputation in the telecommunications sector and is a leading provider of subsea services in the industry. It operates in a mature market and is the largest independent provider in the maintenance segment.

Global Marine provides vessels on standby to repair fiber optic telecommunications cables in defined geographic zones, and its maintenance business is provided through contracts with consortia of providers of global telecommunications services. Typically, Global Marine enters into five- to seven-year contracts to provide maintenance services to cable systems that are located in specific geographical areas. These contracts provide highly stable, predictable and recurring revenue and earnings. Additionally, Global Marine provides installation of cable systems, including route planning, mapping, route engineering, cable-laying, trenching and burial. Global Marine's installation business is project-based, with contracts typically lasting one to five months.

CWind

CWind is part of GMSL, delivering topside, splash zone and subsea engineering services, to the offshore renewables and utilities market. With experience at over 40 UK and European offshore wind farms, supporting over 12GW power generated by the offshore wind sector.

CWind demonstrates a commitment to innovation and is well-positioned to capitalize on the growth of the offshore alternative energy market in construction, as well as on-going operations and maintenance, with a strong presence in Northern Europe and Asia (especially China). CWind has developed its strategies to realize this opportunity.

Global Offshore

Global Offshore is part of GMSL, delivering the company's cable installation, repair and trenching services to the offshore renewables, utilities and oil & gas markets. Global Offshore has developed a reputation as a trusted partner, delivering pipeline, cable and umbilical projects, platform-to-platform connectivity and subsea services.

Global Offshore's primary activities for oil & gas include providing power from shore, enabling fiber-based communication between platforms and shore-based systems and installing permanent reservoir monitoring systems that allow customers to monitor subsea seismic data. The majority of its oil and gas business is contracted on a project-by-project basis with major energy producers or Tier I engineering, procurement and construction ("EPC") contractors.

Global Marine Group's 2019 track record

Notable GMSL announcements during the year include the following:

- January: Global Marine begins the Telecoms Installation Subcom Jupiter project (resulting in 98.2% utilization of the Recorder vessel until January 2020).
- April: GMSL disposes of the Networker vessel.
- June: CWind signs charter agreement with Orsted for the Hybrid SES (an innovative CTV which is the first hybrid diesel-electric surface effect vessel to be brought to market).
- July: GMSL launches the new pre lay plough (PLP240) from the Blyth offshore service hub.
- September: Project planning starts on the Vattenfall Danish Cluster Global Offshore project for the inter array cable installation, burial, testing and termination at the 72 turbine Kriegers Flak site in Denmark.
- November: Cable Innovator under permission from the North American Zone Agreement (NAZ) completes 30-day repair of a fault on the Hawaiian Island Fiber Network.
- December: The business has agreed to a three-year charter, with options for a further five years, for the Normand Clipper. Although the vessel will be mainly used for Global Offshore projects, it will also have capability for telecoms works.

Services and/or Products

GMSL is a pioneer in the subsea cable industry, having laid the first subsea cable in the 1850s and installed the first transatlantic fiber optic cable (TAT-8) in 1988. GMSL is positioned as a global independent market leader in subsea cable installation and maintenance services and derives approximately 45% of its total revenue from long-term, recurring maintenance contracts. GMSL has started a new phase of growth through applying its capabilities to the rapidly expanding offshore power sector into which GMSL re-entered in November 2015 (see "CWind" above), while retaining a leading position in the telecommunications sector. GMSL has major offices in the United Kingdom and Singapore, with presence in Bermuda, Canada, China, Indonesia and the Philippines. See "Item 1A - Risk Factors - Risks Related to GMSL for further details. GMSL derives a significant amount of its revenues from sales to customers outside of the United States, which poses additional risks, including economic, political and other uncertainties.

Fleet Overview

GMSL operates one of the largest specialist cable laying fleets in the world, consisting of six vessels (three owned, three operated through long-term leases) and 17 crew transfer vessels operated by its wholly-owned subsidiary, CWind, as of December 31, 2019 The average age of the GMSL fleet is 21 years and the CWind fleet is 5 years. Each cable vessel is equipped with specialist inspection, burial, and survey equipment. By providing oil and gas, offshore power, and telecommunications installation as well as telecommunications maintenance, GMSL can retain vessels throughout their asset lives by cascading them through different uses as they age, as older vessels can or should only be used to provide specified services. This provides a significant competitive advantage because GMSL can retain vessels for longer and reduce the frequency of capital expenditure requirements with a longer depreciation period. GMSL's fleet is operated by GMSL employees or long-term contractors.

Fleet Details

Vessels	Ownership	Lease Expiry	Age	Flag	Base Port
Maintenance - GMSL					
Innovator	DYVI Cableship 11 AS	May-25	24	UK	Victoria, Canada
Wave Sentinel	GMSL	N/A	24	UK	Portland, UK
Cable Retriever	ICPL	March-23	22	Singapore	Batangas, Philippines
Sovereign	GMSL	N/A	28	UK	Portland, UK
Installation - GMSL					
CS Recorder	Maersk Supply Service UK	February-22	19	UK	Blyth, UK
Global Symphony	GMSL	N/A	8	UK	Montrose, UK
Offshore - CWind					
Argocat	CWind Limited	N/A	9	UK	Maldon, UK
Alliance	50% CWind Limited	N/A	8	UK	Maldon, UK
Endeavour	CWind Limited	N/A	6	UK	Maldon, UK
Adventure	CWind Limited	N/A	6	UK	Maldon, UK
Fulmar	CWind Limited	N/A	5	UK	Colchester, UK
Artimus	CWind Limited	N/A	4	UK	Colchester, UK
Buzzard	CWind Limited	N/A	7	UK	London, UK
Challenger	CWind Limited	N/A	6	UK	Bideford, UK
Resolution	CWind Limited	N/A	6	UK	Southampton, UK
Sword	CWind Limited	N/A	5	UK	Ramsgate, UK
Spirit	CWind Limited	N/A	4	UK	Colchester, UK
Endurance	CWind Limited	N/A	6	UK	Maldon, UK
Tempest	CWind Limited	N/A	4	UK	Ramsgate, UK
Tornado	CWind Limited	N/A	4	UK	Ramsgate, UK
Typhoon TOW	CWind Limited	N/A	4	UK	Ramsgate, UK
Hurricane TOW	CWind Limited	N/A	4	UK	Ramsgate, UK
CWind Phantom	CWind Limited	N/A	4	UK	Maldon, UK

Product Research and Development

Over the years, GMSL has provided many important innovations to the subsea cable market. One such innovation was GEOCABLE, GMSL's proprietary Geographical Information System (GIS), which GMSL believes to be the largest cable database in the market and was developed specifically to meet the needs of the cable industry. GEOCABLE is an important tool for any vendor planning subsea cable installation, and GMSL sells data from GEOCABLE to third-party customers.

In addition to GEOCABLE, GMSL also develops and owns (in a consortium with other industry participants) intellectual property associated with the Universal Joint, a product which easily and effectively links together cables from different manufacturers. The Universal Joint has gained such prevalence in the industry that new fiber optic cables may be certified to meet the specifications of the Universal Joint, which is a service provided by GMSL among others, so that any subsea cable manufacturer can ensure compatibility of its subsea cables with other existing subsea cables as well as with the standardized equipment on cable repair vessels. GMSL benefits from its sales of the Universal Joint, and proceeds from GMSL-sponsored training of jointing skills, but GMSL also enjoys the industry leadership and brand enhancement that come with the creation of an industry leading product.

Intellectual Property

GMSL is not dependent on any specific intellectual property, but it does vigorously protect its interests in its intellectual property and closely monitors industry changes.

Customers

GMSL’s customer base is made up primarily of large, established companies. Contract lengths vary and are largely dependent on the type of services provided. Maintenance and repair contracts tend to be long-term, five- to seven-years, with a relatively high level of expected renewal rates, and the customer is typically a consortium of different cable owners such as national, regional and international telecommunication companies and others who have an ownership interest in the subsea cables covered by the maintenance contract. GMSL charges a standing fee for cost of vessels plus margin, paid in advance proportionally by each member, and an additional daily call out fee for repairs paid by the specific cable owner(s). Four maintenance vessels are engaged on GMSL’s three current long-term telecommunications maintenance contracts with ACMA (Atlantic Cable Maintenance Agreement), SEAIOCMA (South East Asia and Indian Ocean Cable Maintenance Agreement), and NAZ (North American Zone). Installation contracts tend to be much shorter term (30-150 days), and the counterparty tends to be a single client. Contracts are typically bid for on a fixed-sum basis with an initial upfront payment plus subsequent installments providing working capital support. Due to the added complexity of cable installation as opposed to maintenance, GMSL generally realizes higher margins on its installation contracts in the offshore power and oil and gas sectors.

Sales and Distributions

In the telecommunications cable market, cable maintenance is most often accomplished by zone maintenance contracts in which a consortium of telecommunications operators or cable owners contract with a maintenance provider like GMSL, over a long-term period of approximately five to seven years. GMSL has three cable maintenance agreements, providing a steady, high-quality source of revenue. These maintenance contracts are usually re-awarded to incumbent providers unless there are significant performance issues, which may mean that GMSL will not be required to expend extra capital to retain these contracts, although no assurance can be given that GMSL will be able to renew any specific contract. GMSL constantly has a focused sales plan to build relationships with current and potential customers at regional and corporate offices and readily leverages Huawei Technologies’ large sales organization.

Marketing

GMSL also has a focused sales and marketing plan to create relationships with major participants in the offshore power and oil and gas industries. Despite the prevailing low oil price market conditions, GMSL hopes to use its expertise in installing Permanent Reservoir Monitoring ("PRM") systems to forge new contacts with both the end users of PRM services, such as oil majors, and the PRM suppliers themselves. Additionally, GMSL is pursuing a strategy of specialization in installing the small power and fiber optic cables that its competitors in the oil and gas and offshore power sectors find unprofitable and in which they lack installation experience.

Competition

GMSL is one of the few companies that provide subsea cable installation and maintenance services on a worldwide basis. GMSL competes for contracts with companies that have worldwide operations, as well as numerous others operating locally in various areas. There are a number of industry participants, mainly Asian based, who focus primarily on their countries of origin. Competition for GMSL’s services historically has been based on vessel availability, location of or ability to deploy these vessels and associated subsea equipment, quality of service and price. The relative importance of these factors can vary depending on the customer or specific project as well as also over time based on the prevailing market conditions. The ability to develop, train and retain skilled engineering personnel is also an important competitive factor in GMSL’s markets.

GMSL believes that its ability to provide a wide range of subsea cable installation and maintenance services in the telecommunications, oil and gas and offshore power sectors on a worldwide basis enables it to compete effectively in the industry in which it operates. However, in some cases involving projects that require less sophisticated vessel and subsea equipment, smaller companies may be able to bid for contracts at prices uneconomical to GMSL. In addition, GMSL’s competitors generally have the capability to move their vessels to locations in which GMSL operates with relative ease, which may impact competition in the markets it serves.

Management and Employees

As of December 31, 2019, GMSL employed 452 people. GMSL’s employees are not formally represented by any labor union or other trade organization, although the majority of the seafarers are members of an established trade union. GMSL considers relations with its employees to be excellent and it has never experienced a work stoppage or strike. GMSL regularly uses independent consultants and contractors to perform various professional services in different areas of the business, including in its installation and fleet operations and in certain administrative functions. Dick Fagerstal is a 2.4% interest holder, chairman and chief executive officer of Global Marine Holdings LLC ("GMH LLC"), the parent holding company of Global Marine Holdings Limited, and he is the executive chairman of GMSL. Mr. Fagerstal previously served in an executive capacity for companies operating in various industries, including energy, marine services, and their related infrastructure.

Legal, Environmental and Insurance

GMSL is from time to time 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 GMSL or that the resolution of any such matter will not have a material adverse effect upon GMSL's business, consolidated financial position, results of operations or cash flows. GMSL does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its business, consolidated financial position, results of operations or cash flows.

GMSL has comprehensive insurance coverage including protection and indemnity, hull and machinery, war risk, and property insurances, director and officers liability insurance, contract warranty insurance for the maintenance contracts, and all other necessary corporate insurances. GMSL's liability is capped and insured under each of its installation contracts.

Energy Segment (American Natural Energy)

American Natural Energy Corp. (f/k/a American Natural Gas, Inc.) ("ANG")is a premier retailer of Compressed Natural Gas ("CNG") that designs, builds, owns, operates and maintains natural gas fueling stations for the transportation industry. ANG's principal business is supplying CNG for light-, medium- and heavy-duty vehicles.

ANG focuses its efforts on customers in a variety of markets, including heavy-duty trucking, airports, refuse, industrial, institutional energy users and government fleets. ANG seeks to retain its customers by offering state-of-the-art fueling stations with exemplary service levels.

Market for Natural Gas as an Alternative Fuel for Vehicles

As of December 31, 2019, Natural Gas Vehicles for America ("NGVA") estimates that there are more than 1,600 CNG fueling stations in the United States and over 175,000 natural gas vehicles on American roads. This includes approximately 39,500 heavy-duty vehicles (such as tractors, refuse trucks and buses), 25,800 medium-duty vehicles (such as delivery vans and shuttles) and 87,000 light-duty vehicles (such as passenger cars, sport utility vehicles, trucks and vans). As of December 31, 2019, the U.S. Department of Energy estimates that there are approximately 1,000 public CNG fueling stations in the United States.

ANG believes that natural gas is an attractive alternative to gasoline and diesel for use as a vehicle fuel in the United States as it is plentiful, domestically produced, cleaner and generally cheaper than gasoline or diesel. Historically, oil, gasoline, and diesel prices have been highly volatile, while natural gas prices have generally been stable and lower than the cost of oil, gasoline and diesel on an energy equivalent basis. ANG also expects increasingly stringent air quality regulations, expanding initiatives by fleet operators to lower greenhouse gas emissions and increase fuel diversity and additional regulations mandating low carbon fuels, all of which supports increased market adoption of natural gas as an alternative to gasoline and diesel as a vehicle fuel. ANG believes these factors support current opportunities to market natural gas as a vehicle fuel in the United States.

Benefits of Natural Gas Fuel

Domestic and Plentiful Supply: Technological advances in natural gas drilling and production have unlocked vast natural gas reserves. The U.S. is now the number one producer of natural gas in the world, with proven, abundant and growing reserves of natural gas.

Less Expensive: Due to the abundance of natural gas, the cost of natural gas in the U.S. is less than the cost of crude oil, on an energy equivalent basis.

ANG believes that natural gas used as a transportation fuel will remain cheaper than gasoline and diesel for the foreseeable future. In addition, because the price of the commodity (natural gas) makes up a smaller portion of the cost of a Gasoline Gallon Equivalent ("GGE") of CNG relative to the commodity portion of the cost of gallon of diesel or gasoline, the price of CNG is less sensitive to increases in the underlying commodity cost.

Cleaner: Natural gas contains less carbon than any other fossil fuel and thus, produces fewer carbon dioxide emissions when burned. The California Air Resources Board ("CARB") has concluded that a CNG fueled vehicle emits 20 to 29 percent fewer Greenhouse Gas ("GHG") emissions than a comparable gasoline or diesel-fueled vehicle on a well-to-wheel basis. Additionally, a study from Argonne National Laboratory, a research laboratory operated by the University of Chicago for the U.S. Department of Energy, indicates that natural gas vehicles produce at least 13 to 21 percent fewer GHG emissions than comparable gasoline and diesel-fueled vehicles.

The newest natural gas engines with Near-Zero or "Zero Emissions Equivalent" – technology produces 90% fewer NOx emissions than the current standard. In fact, the cleanest heavy-duty truck engine in the world is powered by natural gas. And when fueled with renewable natural gas, it has up to 115% fewer greenhouse gas emissions than diesel counterparts well-to-wheel.

Safer: As reported by NGV America, CNG is relatively safer than gasoline and diesel because it dissipates into the air when spilled or in the event of a vehicle accident. When released, CNG is less combustible than gasoline or diesel as it ignites only at relatively high temperatures. The fuel tanks and systems used in natural gas vehicles are subjected to a number of federally required safety tests, such as fire, environmental hazard, burst pressures, and crash testing, according to the U.S. Department of Transportation National Highway Traffic Safety Administration. In addition, CNG is stored in above ground tanks, thus reducing the risk of soil or groundwater contamination. Currently, over 175,000 vehicles in the U.S. and more than 23.0 million worldwide fuel safely with natural gas.

Natural Gas Vehicles

Natural gas vehicles use internal combustion engines similar to those used in gasoline or diesel-powered vehicles. A natural gas vehicle uses sealed storage cylinders to hold CNG, specially designed fuel lines to deliver natural gas to the engine, and an engine tuned to run on natural gas. Natural gas fuels have higher octane content than gasoline or diesel, and the acceleration and other performance characteristics of natural gas vehicles are similar to those of gasoline or diesel-powered vehicles of the same weight and engine class. Natural gas vehicles running on CNG are refueled using a hose and nozzle to create an airtight seal with the gas tank. For heavy-duty vehicles, spark ignited natural gas vehicles have proven to operate more quietly than diesel powered vehicles. Natural gas vehicles typically cost more than gasoline or diesel-powered vehicles, primarily due to the higher cost of the storage systems that hold the CNG.

Virtually any car, truck, bus or other vehicle is capable of being manufactured or modified to run on natural gas. These vehicles include long-haul tractors, refuse trucks, regional tractors, transit buses, cement trucks, delivery trucks, vocational work trucks, school buses, shuttles, passenger sedans, pickup trucks and cargo and passenger vans. ANG expects that additional models and types of natural gas vehicles will become available as natural gas becomes more widely accepted as a vehicle fuel in the U.S.

Products and Services

CNG Sales: ANG sells CNG through fueling stations located on properties owned or leased by ANG. At these CNG fueling stations, ANG procures natural gas from local utilities or third-party marketers under standard, floating-rate or locked-in rate arrangements and then compresses and dispenses it into customers vehicles. ANG's CNG fueling station sales are made primarily through contracts with customers. Under these contracts, pricing is principally determined on a cost-plus basis, which is calculated by adding a margin to the utility price for natural gas. As a result, CNG total sales revenues increase or decrease as a result of an increase or decrease in the price of natural gas. The balance of ANG’s CNG fueling station sales are public sales based on prevailing market conditions.

O&M Services: ANG performs Operate and Maintain ("O&M") services for CNG stations that are owned by their customers. For these services, ANG generally charges either a monthly or per-GGE fee or time and material fee based on the volume of CNG dispensed at the station and the customers' goals and objectives.

Site Development: ANG builds state-of-the-art fueling stations, either serving as general contractor or supervising qualified third-party contractors, for themselves or their customers. ANG has also acquired existing stations (that ANG did not build) from third parties. Equipment for a CNG station typically consists of dryers, compressors, dispensers and storage tanks.

Fifty-two of ANG’s fueling stations have separate public access areas for retail customers. The fill rate at each of the public stations has comparable dispensing rates equivalent to traditional gasoline and diesel fueling stations.

Sales and Marketing

ANG focuses its sales and marketing efforts within the continental United States and targets such efforts primarily through direct sales. ANG’s sales and marketing group stays informed of proposed and newly adopted regulations in order to provide education on the value of natural gas as a vehicle fuel to current and potential customers.

Key Markets and Customers

ANG targets customers in a variety of markets, such as trucking, airports, refuse, public transit and food and beverage distributors. In 2019, approximately 52% of ANG’s revenues from CNG sales came from contracted customers.

Trucking and Food and Beverage Distributors: ANG believes that heavy-duty trucking represents one of the greatest opportunities for natural gas to be used as a vehicle fuel in the United States. Fleets with high-mileage trucks consume significant amounts of fuel and can benefit from the lower cost of natural gas. A number of shippers, manufacturers, retailers and other truck fleet operators have started to adopt natural gas fueled trucks to move their freight.

Corporate Information; Acquisitions and Divestitures

ANG was originally formed in 2011. In August 2014, HC2 acquired a 51% interest in ANG. In October 2014, ANG acquired Northville Natural Gas, which owned three stations in Indiana. In May 2016, ANG acquired Southwestern Energy NGV Services, LLC, which included two stations in Arkansas. In September 2016, ANG purchased the assets of American CNG, Inc. and K&K SWD #1, LLC, which was comprised of one station in Arkansas. In December 2016, ANG acquired Questar Fueling Company and Constellation CNG, LLC. These acquisitions further expanded ANG’s network by adding 17 stations in Arizona, California, Utah, Colorado, Texas, Kansas, Indiana and Ohio. In June 2019, ANG acquired ampCNG, LLC. This acquisition expanded ANG’s network with the addition of 20 stations located in Texas, Ohio, North Carolina, Indiana, Florida, Arkansas, Georgia, and Tennessee.

ANG intends to continue to pursue additional acquisitions, divestitures, partnerships and investments as ANG becomes aware of opportunities that it believes will increase its competitive advantage, take advantage of industry developments, or enhance their market position.

Tax Incentives

From October 2012 through December 2019, ANG has been eligible to receive the Alternative Fuels Excise Tax Credit ("AFTC"), of $0.50 per GGE of CNG sold as vehicle fuel. In addition, other U.S. federal and state government tax incentives are available to offset the cost of acquiring natural gas vehicles, converting vehicles to use natural gas or construct natural gas fueling stations. As of the date of this filing, the U.S. Congress has passed an AFTC extension making the law effective through December 31, 2020.

Grant Programs

ANG continues to seek out and apply for, and help its fleet customers apply for federal, state and regional grant programs. These programs provide funding for natural gas vehicle conversions and purchases, natural gas fueling station construction and vehicle fuel sold.

Competition

The market for vehicle fuels is highly competitive. The biggest competition for CNG is gasoline and diesel, as the vast majority of vehicles in the United States are powered by gasoline and diesel. Many of the producers and sellers of gasoline and diesel fuels are large entities that have significantly greater resources than ANG possesses. ANG also competes with suppliers of other alternative vehicle fuels, including ethanol, biodiesel and hydrogen fuels, as well as providers of hybrid and electric vehicles. New technologies and improvements to existing technologies may make alternatives other than natural gas more attractive to the market or may slow the development of the market for natural gas as a vehicle fuel if such advances are made with respect to oil and gas usage.

A significant number of established businesses, including oil and gas companies, alternative vehicle and alternative fuel companies, natural gas utilities and their affiliates, industrial gas companies, truck stop and fuel station operators, fuel providers and other organizations have entered or are planning to enter the market for natural gas and other alternatives for use as vehicle fuels. Many of these current and potential competitors have substantially greater financial, marketing, research and other resources than ANG has. Several natural gas utilities and their affiliates own and operate public access CNG stations that compete with ANG’s stations.

Government Regulation and Environmental Matters

Certain aspects of ANG’s operations are subject to regulation under federal, state, local and foreign laws. If ANG were to violate these laws or if the laws were to change, it could have a material adverse effect on ANG’s business, financial condition and results of operations. Regulations that significantly affect ANG’s operations are described below.

CNG Stations: To construct a CNG fueling station, ANG must satisfy permitting and other requirements and either ANG or a third-party contractor must be licensed as a general engineering contractor. Each CNG fueling station must be constructed in accordance with federal, state, NFPA-52 and local regulations pertaining to station design, environmental health, accidental release prevention, above-ground storage tanks, hazardous waste and hazardous materials. ANG is also required to register with certain state agencies as a retailer/wholesaler of CNG.

ANG believes it is in material compliance with environmental laws and regulations and other known regulatory requirements. Compliance with these regulations has not had a material effect on ANG’s capital expenditures, earnings or competitive position; however, new laws or regulations or amendments to existing laws or regulations to make them more stringent, such as more rigorous air emissions requirements, proposals to make waste materials subject to more stringent and costly handling, disposal and clean-up requirements or regulations of greenhouse gas emissions, could require ANG to undertake significant capital expenditures in the future.

Telecommunications Segment (PTGi-International Carrier Services, Inc.)

ICS provides customers with internet-protocol-based and time-division multiplexing ("TDM") access for the transport of long-distance voice minutes.

Network

ICS operates a global telecommunications network consisting of domestic switching and related peripheral equipment, and carrier-grade routers and switches for Internet and circuit-based services. To ensure high-quality communications services, ICS’s network employs digital switching and fiber optic technologies, incorporates the use of Voice-over-Internet Protocol protocols and SS7/C7 signaling, and is supported by comprehensive network monitoring and technical support services.

Switching Systems

ICS’s network makes use of a domestic switch system, Internet routers and media gateways in the U.S. and points of presence throughout the world via third party interconnections.

Foreign Carrier Agreements

In selected countries where competition with the traditional Post Telegraph and Telecommunications companies ("PTTs") is limited, ICS has entered into foreign carrier agreements with PTTs or other service providers that permit ICS to provide traffic into, and receive return traffic from, these countries.

Network Management and Control

ICS owns and operates network management systems in Herndon, Virginia which are used to monitor and control ICS's switching systems, global data network, and other digital transmission equipment used in ICS's network. Additional network monitoring, network management, and traffic management services are supported from ICS's Network Management Centers located in Guatemala City, Guatemala and Bucharest, Romania. The network management control centers are constantly online.

Sales and Marketing

ICS markets its services through a variety of sales channels, as summarized below:

- *Trade Shows*: ICS attends industry trade shows around the globe throughout the year. At each trade show, ICS markets to both existing and potential new customers through prearranged meetings, social gatherings and networking; and

- *Business Development*: ICS's world class sales team focuses on developing ICS's business potential around the globe through ongoing communication and face-to-face meetings.

Management Information and Billing Systems

ICS operates management information, network and customer billing systems supporting the functions of network and traffic management, customer service and customer billing. For financial reporting, ICS consolidates information from each of ICS's markets into a single database.

ICS believes that its financial reporting and billing systems are generally adequate to meet its business needs. However, in the future, ICS may determine that it needs to invest additional capital to purchase hardware and software, license more specialized software and increase its capacity.

Competition

Long Distance: ICS faces significant competition as it attempts to win the business of other telecommunications carriers and resellers. ICS competes on the basis of price, service quality, financial strength, relationship and presence. Sales of wholesale long-distance voice minutes are generated by connecting one telecommunications operator to another and charging a fee to do so.

Over-the-top ("OTT"): OTT applications, such as WhatsApp, Skype, and FaceTime, continue to impact ICS's long distance business model. There can be no assurance that: (1) the current declines in the long-distance business globally driven by OTT application will not increase; or (2) ICS's business will not be impacted by the increased consumer adoption of OTT applications globally.

Government Regulation

ICS is subject to varying degrees of regulation in each of the jurisdictions in which it operates. Local laws and regulations, and the interpretation of such laws and regulations, differ among those jurisdictions. There can be no assurance that: (1) future regulatory, judicial and legislative changes will not have a material adverse effect on ICS; (2) domestic or international regulators or third parties will not raise material issues with regard to its compliance with applicable regulations; or (3) regulatory activities will not have a material adverse effect on it.

Regulation impacting the telecommunications industry continues to change rapidly in many jurisdictions. Privacy-related laws and regulations, such as the EU's GDPR, as well as privatization, deregulation, changes in regulation, consolidation, and technological change have had, and will continue to have, significant effects on the industry. Although we believe that continuing deregulation with respect to portions of the telecommunications industry will create opportunities for firms such as us, there can be no assurance that deregulation and changes in regulation will be implemented in a manner that would benefit ICS.

The regulatory frameworks in certain jurisdictions in which we provide services as of December 31, 2019 are described below:

United States

In the United States, ICS's services are subject to the provisions of the Communications Act of 1934, as amended (the "Communications Act"), and other federal laws, rules, and orders of the Federal Communications Commission ("FCC") regulations, and the applicable laws and regulations of the various states.

ICS's interstate telecommunications services are subject to various specific common carrier telecommunications requirements set forth in the Communications Act and the FCC's rules and orders, including operating, reporting and fee requirements. Both federal and state regulatory agencies have broad authority to impose monetary and other penalties for violations of regulatory requirements.

International Service Regulation

The FCC has jurisdiction over common carrier services linking points in the U.S. to points in other countries, and ICS provides such services. Providers of such international common carrier services must obtain authority from the FCC under Section 214 of the Communications Act. ICS has obtained the authorizations required to use, on a facilities-based and resale basis, various transmission media for the provision of international switched services and international private line services on a non-dominant carrier basis. The FCC is considering a number of possible changes to its rules governing international common carriers. We cannot predict how the FCC will resolve those issues or how its decisions will affect ICS's international business. FCC rules permit non-dominant carriers such as ICS to offer some services on a detariffed basis, where competition can provide consumers with lower rates and choices among carriers and services.

Domestic Service Regulation

With respect to ICS's domestic U.S. telecommunications services, ICS is considered a non-dominant interstate carrier subject to regulation by the FCC. FCC rules provide ICS significant authority to initiate or expand its domestic interstate operations, but ICS is required to obtain FCC approval to assume control of another telecommunications carrier or its assets, to transfer control of ICS's operations to another entity, or to discontinue service. ICS is also required to file various reports and pay various fees and assessments to the FCC and various state commissions. Among other things, interstate common carriers must offer service on a nondiscriminatory basis at just and reasonable rates. The FCC has jurisdiction to hear complaints regarding ICS's compliance or non-compliance with these and other requirements of the Communications Act and the FCC’s rules. Among other regulations, ICS is subject to the Communications Assistance for Law Enforcement Act ("CALEA") and associated FCC regulations which require telecommunications carriers to configure their networks to facilitate law enforcement authorities to perform electronic surveillance.

In April 2019, FCC rules relating to the completion of calls to rural areas became effective. These rules require certain providers of retail long distance voice service to generate and retain various records regarding completion of calls to rural areas. Specifically, the rules require those providers to collect and retain information on long-distance call attempts such as, but not limited to, the called number, the date and time of the call, and the use of an intermediate provider. The rules also prohibit false audible ringing (the premature triggering of audible ring tones to the caller before the call setup request has reached the terminating service provider). While ICS is not directly subject to these rules, ICS may function as an intermediate provider within the meaning of these rules, which may require ICS to provide information to its customers regarding calls that it carries on their behalf. In addition, under Section 262 to the Communications Act of 1934, intermediate providers (such as ICS) must register with the FCC and meet certain quality standards (now embodied in the FCC’s rules).

Interstate and international telecommunications carriers are required to contribute to the federal Universal Service Fund ("USF"). Carriers providing wholesale telecommunications services are not required to contribute with respect to services sold to customers that provide a written certification that the customers themselves will make the required contributions. If the FCC or the USF Administrator were to determine that the USF reporting for the Company, including ICS, is not accurate or in compliance with FCC rules, ICS could be subject to additional contributions, as well as to monetary fines and penalties. In addition, the FCC may revise its USF contribution mechanisms and the services considered when calculating the contribution. ICS cannot predict the outcome of any such revisions or their potential effect on ICS's contribution obligations. Some changes to the USF under consideration by the FCC may affect certain entities more than others, and ICS may be disadvantaged as compared to its competitors as a result of FCC decisions regarding USF. In addition, the FCC may extend the obligation to contribute to the USF to certain services that ICS offers but that are not currently assessed USF contributions.

FCC rules require providers that originate interstate or intrastate traffic on or destined for the public switched telephone network ("PSTN") to transmit the telephone number associated with the calling party to the next provider in the call path. Intermediate providers, such as ICS, must pass calling party number ("CPN") or charge number ("CN") signaling information they receive from other providers unaltered, to subsequent providers in the call path. While ICS believes that it is in compliance with this rule, to the extent that it passes traffic that does not have appropriate CPN or CN information, ICS could be subject to fines, cease and desist orders, or other penalties.

Insurance Segment (Continental Insurance Group Ltd.)

On December 24, 2015, we completed the acquisitions of United Teacher Associates Insurance Company ("UTA") and Continental General Insurance Company ("CGI") (together the "Insurance Company") for aggregate consideration of approximately $18.6 million. The operations of the Insurance Company were consolidated into the insurance operating segment, CIG.

The Insurance Company filed applications with the Ohio Department of Insurance ("ODOI") and the Texas Department of Insurance ("TDOI") to redomesticate CGI from Ohio to Texas. In conjunction with the redomestication, the Insurance Company filed a request with the TDOI to merge UTA and CGI (with CGI as the surviving entity), which was approved as of December 31, 2016.

On August 9, 2018, CGI completed the acquisition of KMG America Corporation ("KMG"), the parent company of Kanawha Insurance Company ("KIC"), Humana’s long-term care insurance subsidiary for consideration of ten thousand dollars. As a condition to the approval of the acquisition by the South Carolina Department of Insurance, CGI agreed to redomesticate KIC from South Carolina to Texas and simultaneously merge KIC with and into CGI, with CGI surviving (the "Merger"), and to maintain an authorized control level risk-based capital ratio of no less than 450 percent for two years following the closing. Similarly, CGI agreed with the Texas Commissioner of Insurance that it will maintain a total adjusted capital to authorized control risk-based capital level of no less than 450 percent for two years from the date of the Merger and of no less than 400 percent for the subsequent three years.

In connection with the 2015 and 2018 acquisitions, HC2 agreed to certain restrictions on the involvement of employees of HC2, including Mr. Falcone, in the day-to-day operations of CGI. For example, HC2's board members, including Mr. Falcone may not currently serve as directors or officers of CGI. However, HC2 is entitled to have a representative on the CIG board, and a subsidiary under the control of HC2 serves as the investment adviser of CGI.

Strategy

CIG currently provides long-term care, life, annuity, and other accident and health coverage to approximately 132,000 individuals through CGI. The benefits provided by CIG's insurance operations help protect policy and certificate holders from the financial hardships associated with illness, injury, loss of life, or income discontinuation.

CIG has a concentrated focus on long-term care insurance and is committed to the continued delivery of best-practice services as established by CIG’s insurance operations to its policy and certificate holders. Through investments in technology, a commitment to attracting, developing and retaining best-in-class insurance professionals, a dedication to continuing process improvements, and a focus on strategic growth, we believe CIG is well equipped to maintain and improve the level of service provided to its customers and assume a leading role in the long-term care industry.

CIG’s plan is to leverage its existing platform and industry expertise to identify strategic growth opportunities for managing closed blocks of long-term care business. Growth opportunities are expected to come from:

- Future acquisitions of long-term care businesses and/or closed blocks of long-term care policies;
- Reinsurance arrangements; and
- Third party administration arrangements.

Products

Long-Term Care Insurance

CIG's long-term care insurance products pay a benefit that is either a specified daily indemnity amount or reimbursement of actual charges up to a daily maximum for long-term care services provided in the insured’s home or in assisted living or nursing facilities. Benefits begin after a waiting period, usually 90 days or less, and are generally paid for a period of three years, six years, or the policy holder's lifetime.

Substantially all of the in-force long-term care insurance policies were sold after 1995, with all sales then being discontinued in January 2010. Policies were issued in all states except for New York, with Texas being the largest issue state with approximately 20% of the business. The existing block of policies includes both individual and group products, but all individuals were individually underwritten. CIG's long-term care insurance products were sold on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval. Profitability of CIG's long-term care block is affected by premium rate increases, persistency, investment returns, claims experience, and the level of administrative expenses. As part of CIG's strategy for its long-term care insurance business, management has been implementing, and expects to continue to pursue, significant premium rate increases on its blocks of business as actuarially justified. Premium rates vary by age and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, and investment yields. CIG develops its assumptions based on its own claims and persistency experience and published industry tables.

Life Insurance and Annuities

CIG's life insurance products include Traditional, Term, Universal, and Interest Sensitive Life Insurance. Its annuity products include Flexible and Single Premium Deferred Annuities. CIG's life insurance business provides a personal financial safety net for individuals and their families. These products provide protection against financial hardship after the death of an insured. Some of these products also offer a savings element that can help accumulate funds to meet future financial needs. Annuities are long-term retirement saving instruments that benefit from income accruing on a tax-deferred basis. The issuer of the annuity collects premiums, credits interest or earnings on the policy and pays out a benefit upon death, surrender or annuitization. All life insurance and annuity products are closed to new business. The life insurance products were issued with both full and simplified underwriting.

Other Accident & Health

CIG’s accident and health products, other than Long-Term Care Insurance, include accidental death, accidental death & dismemberment disability income, hospital expense, hospital indemnity, and major medical individual insurance policies. These products provide from partial reimbursement to full reimbursement of covered medical and related expenses. All products were sold prior to the introduction of the Affordable Care Act and these product lines are closed to new business. If not otherwise exempted from the requirements of the Affordable Care Act, the policies are grandfathered under the Affordable Care Act and not subject to the requirements of the Affordable Care Act. A limited number of these policies were guaranteed issued, although the majority of the policies were issued with individual underwriting.

Customers

CIG's long-term care insurance policies were marketed and sold to individuals between 1986 and 2010 for the purpose of providing defined levels of protection against the significant and escalating costs of long-term care services provided in the insured’s home or in assisted living or nursing facilities. Though CIG no longer actively markets new insurance products, it continues to service and receive net renewal premiums on its in-force Long-Term Care, Life, Annuity, and Other Accident & Health blocks for approximately 132,000 lives.

Employees and Operations

As of December 31, 2019, CIG employed 130 people full-time and 2 part-time, the majority of whom are employed on a salaried basis with some on an hourly basis. Besides nine remote employees working in various states, all other employees work out of the home office located in Austin, Texas. CIG considers its relations with its employees to be satisfactory and has never experienced a work stoppage or other labor disturbance. All operating centers maintain a cost effective and efficient operating model.

Transition Services and Administrative Services Agreement

Upon the purchase of the Insurance Company on December 24, 2015, a transition services agreement (the "Transition Services Agreement") was entered into with the prior owner, Great American Financial Resources ("Great American") in Cincinnati, Ohio, pursuant to which Great American agreed to continue to perform certain business functions such as IT, finance, investment, and accounting for a period of 12 to 16 months to allow us time to secure the resources needed to take over those duties. IT, finance, investment and accounting roles were filled and/or outsourced in fiscal year 2016, and services received under the Transition Services Agreement ended on March 31, 2017. Simultaneously, an Administrative Services Agreement (the "Administrative Services Agreement") was entered into with Great American, pursuant to which Great American Life Insurance Company ("GALIC") agreed to continue to administer the Insurance Company’s life and annuity businesses for a period of no less than five years. Effective July 1, 2019, the Insurance Company and GALIC entered into Amendment No. 1 to Administrative Services Agreement which removed the five-year duration clause effectively extending the duration of the Administrative Services Agreement.

The KIC acquisition included the assumption of numerous existing, or the establishment of new, third party administrator (TPA) agreements to continue to provide services and perform processes critical (actuarial, claims processing, rate increase work etc.) to KIC’s ability to continue producing outputs. All of KIC’s insurance contracts are currently administered by these TPAs. CGI is planning to bring the majority of the KIC Life & Annuity blocks in-house as part of its 2020 strategic initiatives.

Reinsurance

CIG reinsures through cession agreements a significant portion of its insurance business with unaffiliated reinsurers. In a reinsurance transaction, a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium. CIG participates in reinsurance cession activities in order to minimize exposure to significant risks, limit losses, and provide additional capacity for future growth. CIG also obtains reinsurance to meet certain capital requirements.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse CIG for the ceded amount in the event a claim is paid. Cessions under reinsurance agreements do not discharge CIG's obligations as the primary insurer. If the assuming reinsurer in a reinsurance agreement is unable to meet its obligations, CIG remains contingently liable. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreement, reinsurance recoverable balances could become uncollectible. CIG evaluates the financial condition of reinsurers to whom CIG cedes business and monitors concentration of credit risk to minimize our exposure. CIG may also require acceptable collateral to support reinsurance recoverable balances. The collectability of CIG’s reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. Although CIG has controls to minimize its exposure, the insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract could have a material adverse effect on CIG’s results of operations. CIG has various quota share reinsurance agreements in place for its long-term care business, with ceded reinsurance totaling $523 million in active life reserves and $124 million disabled life reserves. Amounts recoverable from reinsurers are estimated in a manner consistent with the gross liability associated with the reinsured policy.

Reserves for Policy Contracts and Benefits

The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding policies. These reserves are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates, and methods of valuation required for statutory accounting.

CIG calculates reserves in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which calculations can differ from those specified by the laws of the various states and reported in the statutory financial statements. These differences result from the use of mortality and morbidity tables and interest assumptions which CIG believes are more representative of the expected experience for these policies than those required for statutory accounting purposes and also result from differences in actuarial reserving methods.

The assumptions CIG uses to calculate its reserves are intended to represent an estimate of experience for the period that policy benefits are payable. If actual experience is more favorable than our reserve assumptions, then reserves should be adequate to provide for future benefits and expenses. If experience is less favorable than the reserve assumptions, additional reserves may be required. The key experience assumptions include claim incidence rates, claim resolution rates, mortality and morbidity rates, policy persistency, interest rates, crediting spreads, and premium rate increases. CIG periodically reviews its experience and updates its policy reserves and reserves for all claims incurred, as it believes appropriate.

The statements of income include the annual change in reserves for future policy and contract benefits. The change reflects a normal accretion for premium payments and interest buildup and decreases for policy terminations such as lapses, deaths, and benefit payments. If policy reserves using best estimate assumptions as of the date of a test for loss recognition are higher than existing policy reserves net of any deferred acquisition costs, the increase in reserves necessary to recognize the deficiency is also included in the change in reserves for future policy and contract benefits.

For further discussion of reserves, refer to the risks related to the Insurance Segment within "Risk Factors" contained herein in Item 1A, the discussion of the Insurance segment operating results included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Note 2. Summary of Significant Accounting Policies and Note 12. Life, Accident and Health Reserves of the "Notes to Consolidated Financial Statements."

Investments

CIG manages its cash and invested assets using an approach that is intended to balance quality, diversification, asset/liability matching, liquidity needs and investment return. The goals of the investment process are to optimize after-tax, risk-adjusted investment income and after-tax, risk-adjusted total return while managing the assets and liabilities on a cash flow and duration basis. CIG's liabilities are primarily supported by investments in investment grade, fixed maturity securities reflected on the Company's consolidated balance sheets.

The Company filed an Investment Management Agreement Form D application with the TDOI to appoint CIG, an affiliate, as investment manager effective January 1, 2017. The TDOI issued a "no action" letter dated December 19, 2016 with regard to the Form D application.

Regulation

CIG's insurance company subsidiary is subject to regulations in the jurisdictions where it does business. In general, the insurance laws of the various states establish regulatory agencies with broad administrative powers governing, among other things, premium rates, solvency standards, licensing of insurers, agents and brokers, trade practices, forms of policies, maintenance of specified reserves and capital for the protection of policyholders, deposits of securities for the benefit of policyholders, investment activities and relationships between insurance subsidiaries and their parents and affiliates. Material transactions between insurance subsidiaries and their parents and affiliates generally must receive prior approval of the applicable insurance regulatory authorities and be disclosed. In addition, while differing from state to state, these regulations typically restrict the maximum amount of dividends that may be paid by an insurer to its stockholders in any twelve-month period without advance regulatory approval. Such limitations are generally based on net earnings or statutory surplus.

Our insurance subsidiary is examined periodically by its state of domicile and by other states in which it is licensed to conduct business. The domestic examinations have traditionally emphasized financial matters from the perspective of protection of policyholders, but they can and have covered other subjects that an examining state may be interested in reviewing, such as market conduct issues. Examinations in other states more typically focus on market conduct, such as a review of sales practices, including the content and use of advertising materials and the licensing and appointing of agents and brokers, as well as underwriting, claims, and customer service practices, and identification and handling of unclaimed property to determine compliance with state laws. Our insurance subsidiary is also subject to assessments by state insurance guaranty associations to cover the proportional cost of insolvent or failed insurers. Financial impact of annual guaranty assessments for CGI has not been material.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), among other things, established a Federal Insurance Office ("FIO") within the U.S. Treasury. The Dodd-Frank Act requires the promulgation of regulations for the FIO to carry out its mandate to focus on systemic risk oversight. The FIO gathered information regarding the insurance industry and submitted a report to Congress in December 2013. The report concluded that a hybrid approach to regulation, involving a combination of state and federal government action, could improve the U.S. insurance system by attaining uniformity, efficiency and consistency, particularly with respect to solvency and market conduct regulation. The FIO has issued additional reports since that time on various aspects of the insurance sector and insurance regulation. Legislative proposals currently before Congress, as well as a 2017 report from the Trump Administration, call for refinements of the FIO's mission including more coordination with state regulators. We cannot predict the extent to which any of these matters might result in changes to the current state-based system of insurance industry regulation or ultimately impact the Company's operations.

Risk-based capital ("RBC') standards for U.S. life insurance companies are prescribed by the National Association of Insurance Commissioners ("NAIC"). The domiciliary state of our insurance subsidiary has adopted a version of the NAIC RBC for Insurers Model Act, which prescribes a system for assessing the adequacy of statutory capital and surplus for all life and health insurers. The basis of the system is a risk-based formula that applies prescribed factors to the various risk elements in a life and health insurer's business to report a minimum capital requirement proportional to the amount of risk assumed by the insurer. The life and health RBC formula is designed to measure annually (i) the risk of loss from asset defaults and asset value fluctuations, (ii) the risk of loss from adverse mortality and morbidity experience, (iii) the risk of loss from mismatching of asset and liability cash flow due to changing interest rates, and (iv) business risks. The formula is used as an early warning tool to identify companies that are potentially inadequately capitalized. The formula is intended to be used as a regulatory tool only and is not intended as a means to rank insurers generally. The RBC ratio for our insurance subsidiary remains in line with our expectations and is significantly above the level that would require state regulatory action. The NAIC has also issued a proposal to implement a new and more granular RBC structure for fixed income asset capital charges. The proposed structure will expand the fixed income asset designations from six to 20 categories and will revise factor values. The new structure related to fixed income assets is not in effect for year end 2019. CIG will continue to monitor the NAIC's activities on this issue.

Competition

CIG competes with financial services firms with respect to the acquisition of insurance companies and/or blocks of insurance businesses through merger, stock purchase, or reinsurance transactions or otherwise.

Life Sciences Segment (Pansend Life Sciences, LLC)

Pansend focuses on the development of innovative technologies and products in the healthcare industry. As of December 31, 2019, Pansend has invested in four companies:

- *R2 Technologies, Inc.*,("R2"), a company developing medical devices for the treatment of aesthetic and medical skin conditions. In July 2017, R2 received notification from the United States Food and Drug Administration of market clearance of R2's second generation device, the Dermal Cooling System. The Dermal Cooling System is a cryosurgical instrument intended for use in dermatologic procedures for the removal of benign lesions of the skin, based on exclusive licensing rights to a novel technology developed at Massachusetts General Hospital and Harvard Medical School;

- *Genovel Orthopedics, Inc.* ("Genovel"), a company developing novel partial and total knee replacements for the treatment of osteoarthritis of the knee based on patent-protected technology invented at New York University School of Medicine;

- *MediBeacon, Inc.* ("MediBeacon"), a company developing a proprietary non-invasive real-time monitoring system for the evaluation of kidney function. This system (known as the MediBeacon Optical Renal Function Monitor system) uses an optical skin sensor combined with a proprietary agent that glows in the presence of light. It will be the first and only, non-invasive system to enable real-time, direct monitoring of renal function at point-of-care. On March 2, 2017, MediBeacon announced the successful completion of a real-time, point of care renal function clinical study on subjects with impaired kidney function at Washington University in St. Louis. On June 8, 2016, MediBeacon announced the completion of the acquisition of Mannheim Pharma & Diagnostics, a life science company based in Mannheim, Germany. Recently, MediBeacon announced a collaborative research project with scientists at Washington University School of Medicine in St. Louis, Missouri in a research project aimed at improving the understanding of childhood malnutrition and its related problems, including stunted growth. The work is funded by a Grand Challenges Explorations Phase II grant from the Bill & Melinda Gates Foundation to Washington University. It is a follow-up grant to work carried out through a Phase I Grand Challenges Explorations Award made in 2014. MediBeacon was also recently the recipient of a Small Business Innovation Research grant supported by the National Eye Institute of the National Institutes of Health (NIH). With this support, MediBeacon is pursuing research into the use of a MediBeacon fluorescent tracer agent to visualize vasculature in the eye. The focus of the NIH-supported project is to determine if a specific proprietary MediBeacon tracer agent when administered has the potential to provide additional clinical value versus the existing standard of care.

  Further, on October 22, 2018, the U.S. Food and Drug Administration (FDA) granted Breakthrough Device designation to the MediBeacon's Transdermal GFR Measurement System (TGFR). The device is intended to measure Glomerular Filtration Rate (GFR) in patients with impaired or normal renal function; and

- *Triple Ring Technologies*, a research and development engineering company specializing in medical devices, homeland security, imaging sensors, optics, fluidics, robotics and mobile healthcare.

Broadcasting Segment (HC2 Broadcasting Holdings, Inc.)

HC2 Broadcasting Holdings, Inc., ("HC2B" and together with its subsidiaries, "HC2 Broadcasting"), a majority-owned subsidiary of HC2 Holdings, Inc., is an owner and operator of broadcast TV stations throughout the U.S. HC2 Broadcasting was formed in late 2017 and has grown principally through acquisitions, with over 30 completed through December 31, 2019. HC2 Broadcasting's objective is to build a comprehensive, nationwide over-the-air ("OTA") broadcast TV distribution platform that will reach the majority of the U.S. population when fully built, creating an avenue for high-end content providers to deliver their product OTA to more homes and, ultimately, mobile devices. HC2 Broadcasting's stations will be interconnected to an internet protocol network backbone, which will allow HC2 Broadcasting to monitor and operate the stations remotely, resulting in significant cost efficiencies and redundancy.

As of December 31, 2019, HC2 Broadcasting operated approximately 195 stations, including 9 Full-Power stations, 51 Class A stations and 135 LPTV stations. By end of 2020, HC2 Broadcasting expects to operate over 250 stations, collectively able to broadcast over 1,500 sub-channels and reaching 100 markets between the U.S. and Puerto Rico, including 34 of the top 35 markets with over 100 stations concentrated in the top 35 markets. HC2 Broadcasting also owns approximately 200 construction permits for broadcast stations, a portion of which are expected to be selectively built and licensed over the next 24 months increasing HC2 Broadcasting's footprint to approximately 130 markets.

In December 2017, HC2 Broadcasting also acquired Azteca America, formerly the US subsidiary of TV Azteca, S.A.B. de C.V. ("TV Azteca"), Mexico's second largest broadcast network. Azteca America airs Spanish language programming targeting U.S. Hispanics. The majority of the network's programming is provided by the former parent company under a multi-year Programming Licensing Agreement ("PLA"). As of December 31, 2019, Azteca America was carried on approximately 50 HC2 Broadcasting stations. HC2 Broadcasting has employees in the U.S. and contracted employees in Mexico under a Broadcast Services Agreement ("BSA") with TV Azteca dedicated to the operations of Azteca America.

Operating Broadcast Stations

Below are HC2 Broadcasting's operating stations as of December 31, 2019, listed by call sign and market rank:

Market	Market Rank [a]	Station	Service
New York, NY	1	WTXX-LD	Full-Power Station [b]
		WKOB-LD	LPTV Station
		W28ES-D	LPTV Station
Los Angeles, CA	2	KSKJ-CD	Class A Station
		KHIZ-LD	LPTV Station
		KYAN-LD	LPTV Station
		KVTU-LD	LPTV Station
Chicago, IL	3	WPVN-CD	Class A Station
Philadelphia, PA	4	WPSJ-CD	Class A Station
		WDUM-LD	LPTV Station
		W36DO-D	LPTV Station
Dallas - Ft. Worth, TX	5	KAZD	Full-Power Station
		KNAV-LP	LPTV Station
		KHPK-LD	LPTV Station
San Francisco - Oakland - San Jose, CA	6	KEMO-TV	Full-Power Station
		KQRO-LD	LPTV Station
		KFTY-LD	LPTV Station
Houston, TX	8	KYAZ	Full-Power Station
		KUVM-CD	Class A Station
		KUGB-CD	Class A Station
		KEHO-LD	LPTV Station
Atlanta, GA	10	WYGA-CD	Class A Station
		WUVM-LP	LPTV Station
		WDWW-LD	LPTV Station
		WUEO-LD	LPTV Station
		WIEF-LD	LPTV Station
Phoenix - Prescott, AZ	11	KMOH-TV	Full-Power Station
		KPDF-CD	Class A Station
		K18JL-D	LPTV Station
		KTVP-LD	LPTV Station
		KEJR-LD	LPTV Station
Tampa - St Petersburg - Sarasota, FL	12	WXAX-CD	Class A Station

		W15CM-D	LPTV Station
Detroit, MI	14	WDWO-CD	Class A Station
		WUDL-LD	LPTV Station
Minneapolis - St. Paul, MN	15	K33LN-D	Class A Station
		KJNK-LD	LPTV Station
		K28PQ-D	LPTV Station
Miami - Ft. Lauderdale, FL	16	W16CC-D	LPTV Station
Denver, CO	17	K05MD-D	LPTV Station
Orlando - Daytona Beach - Melbourne, FL	18	WFEF-LD	LPTV Station
Cleveland - Akron - Canton, OH	19	WQDI-LD	LPTV Station
		KONV-LD	LPTV Station
		WUEK-LD	LPTV Station
		WEKA-LD	LPTV Station
Sacramento - Stockton - Modesto, CA	20	KBTV-CD	Class A Station
		KAHC-LD	LPTV Station
		K04QR-D	LPTV Station
		KBIS-LD	LPTV Station
		KFMS-LD	LPTV Station
		KFKK-LD	LPTV Station
Charlotte, NC	21	W15EB-D	Class A Station
		WVEB-LD	LPTV Station
		WHEH-LD	LPTV Station
St. Louis, MO	23	K25NG-D	Class A Station
		KBGU-LP	LPTV Station
		KPTN-LD	LPTV Station
		WODK-LD	LPTV Station
		WLEH-LD	LPTV Station
Pittsburgh, PA	24	WWLM-CD	Class A Station
		WJMB-CD	Class A Station
		WMVH-CD	Class A Station
		WKHU-CD	Class A Station
		WWKH-CD	Class A Station
Indianapolis, IN	25	WSDI-LD	LPTV Station
Baltimore, MD	26	WQAW-LP	LPTV Station
Nashville, TN	28	WJFB	Full-Power Station
		WKUW-LD	LPTV Station
		WCTZ-LD	LPTV Station
San Diego, CA	29	KSKT-CD	Class A Station
Salt Lake City, UT	30	KPNZ	Full-Power Station
		KBTU-LD	LPTV Station
San Antonio, TX	31	K25OB-D	Class A Station
		KVDF-CD	Class A Station
		K17MJ-D	LPTV Station
		KOBS-LD	LPTV Station
		KSSJ-LD	LPTV Station
Kansas City, MO	32	KAJF-LD	LPTV Station
		KCMN-LD	LPTV Station
		KQML-LD	LPTV Station
Hartford - New Haven, CT	33	WRNT-LD	LPTV Station
Columbus, OH	34	WDEM-CD	Class A Station
West Palm Beach - Ft. Pierce, FL	36	WWCI-CD	Class A Station
		WDOX-LD	LPTV Station
Las Vegas, NV	39	K36NE-D	Class A Station
		KNBX-CD	Class A Station
		KHDF-CD	Class A Station
		KVPX-LD	LPTV Station
		KEGS-LD	LPTV Station

Austin, TX	40	KGBS-CD	Class A Station
		KVAT-LD	LPTV Station
Jacksonville, FL	41	WJXE-LD	LPTV Station
		WKBJ-LD	LPTV Station
		WRCZ-LD	LPTV Station
Oklahoma City, OK	43	KOHC-CD	Class A Station
		KTOU-LD	LPTV Station
		KBZC-LD	LPTV Station
Birmingham - Anniston - Tuscaloosa, AL	44	WUOA-LD	LPTV Station
Albuquerque - Santa Fe, NM	46	KQDF-LP	LPTV Station
Louisville, KY	48	W27DH-D	LPTV Station
New Orleans, LA	50	WTNO-LP	Class A Station
		WQDT-LD	LPTV Station
Memphis, TN	51	W15EA-D	Class A Station
		WPED-LD	LPTV Station
		WQEK-LD	LPTV Station
		KPMF-LD	LPTV Station
		WQEO-LD	LPTV Station
Buffalo, NY	52	WVTT-CD	Class A Station
		WWHC-LP	LPTV Station
Ft. Myers - Naples, FL	53	WGPS-LP	LPTV Station
Richmond - Petersburg, VA	54	WUDW-LD	LPTV Station
		WFWG-LD	LPTV Station
		WWBK-LD	LPTV Station
Fresno - Visalia, CA	55	KZMM-CD	Class A Station
		K17JI-D	Class A Station
Mobile, AL - Pensacola, FL	57	WEDS-LD	LPTV Station
Tulsa, OK	58	KZLL-LD	LPTV Station
		KUOC-LD	LPTV Station
Little Rock - Pine Bluff, AR	62	KWMO-LD	LPTV Station
		K23OW-D	LPTV Station
		KENH-LD	LPTV Station
Des Moines - Ames, IA	68	KAJR-LD	LPTV Station
		KCYM-LD	LPTV Station
		KRPG-LD	LPTV Station
Omaha, NE	71	KAJS-LD	LPTV Station
Wichita - Hutchinson, KS	72	KFVT-LD	LPTV Station
Charleston - Huntington, WV	74	WOCW-LD	LPTV Station
Columbia, SC	75	WDYH-LD	LPTV Station
Rochester - Mason City - Austin, NY	76	WGCE-CD	Class A Station
Flint - Saginaw - Bay City, MI	77	WFFC-LD	LPTV Station
		WFKB-LD	LPTV Station
		W35DQ-D	LPTV Station
Huntsville - Decatur - Florence, AL	78	W34EY-D	Class A Station
Madison, WI	81	W23BW-D	Class A Station
		WZCK-LD	LPTV Station
Waco - Temple - Bryan, TX	82	KAXW-LD	LPTV Station
		KZCZ-LD	LPTV Station
Harlingen - Weslaco - Brownsville - Mcallen, TX	83	KRZG-CD	Class A Station
		KNWS-LP	LPTV Station
		KAZH-LP	LPTV Station
Paducah, KY - Cape Girardeau, MO - Harrisburg, IL	84	W29CI-D	Class A Station
Champaign - Springfield - Decatur, IL	88	WCQA-LD	LPTV Station
Cedar Rapids - Waterloo - Iowa City, IA	90	KWKB	Full-Power Station
Charleston, SC	91	WBSE-LD	LPTV Station
Chattanooga, TN	92	WYHB-CD	Class A Station
Myrtle Beach - Florence, SC	97	WLDW-LD	LPTV Station

Ft. Smith - Fayetteville - Springdale - Rogers, AR	101	KAJL-LD	LPTV Station
		KFLU-LD	LPTV Station
Boise, ID	102	K31FD-D	Class A Station
		K17ED-D	Class A Station
		KBKI-LD	LPTV Station
		KFLL-LD	LPTV Station
Evansville, IN	105	WUCU-LD	LPTV Station
Ft. Wayne, IN	110	WFWC-CD	Class A Station
		WCUH-LD	LPTV Station
		W30EH-D	LPTV Station
		W25FH-D	LPTV Station
		WODP-LD	LPTV Station
Tyler - Longview- Nacogdoches, TX	114	KDKJ-LD	LPTV Station
		KBJE-LD	LPTV Station
		KKPD-LD	LPTV Station
		KPKN-LD	LPTV Station
Yakima - Pasco - Richland - Kennewick, WA	118	K33EJ-D	Class A Station
Macon, GA	119	W21DA-D	LPTV Station
Bakersfield, CA	125	K08MM-D	Class A Station
		KXBF-LD	LPTV Station
Santa Barbara - San Luis Obispo, CA	126	KVMM-CD	Class A Station
		KDFS-CD	Class A Station
		KSBO-CD	Class A Station
		KLDF-CD	Class A Station
		KQMM-CD	Class A Station
		KZDF-LP	LPTV Station
Wilmington, NC	127	WQDH-LD	LPTV Station
Corpus Christi, TX	128	KCCX-LP	LPTV Station
		KYDF-LP	LPTV Station
		K20JT-D	LPTV Station
		K29IP-D	LPTV Station
Columbus, GA - Opelika - Auburn, AL	130	W29FD-D	LPTV Station
Amarillo, TX	132	KAUO-LD	LPTV Station
		KLKW-LD	LPTV Station
Palm Springs, CA	141	K21DO-D	Class A Station
Lubbock, TX	142	KNKC-LD	LPTV Station
Beaumont - Port Arthur, TX	143	KBMN-LD	LPTV Station
Joplin, MO - Pittsburg, KS	153	KPJO-LD	LPTV Station
		KRLJ-LD	LPTV Station
Quincy, IL - Hannibal, MO - Keokuk, IA	174	WVDM-LD	LPTV Station
Jackson, TN	176	WYJJ-LD	LPTV Station
Bowling Green, KY	177	WKUT-LD	LPTV Station
		WCZU-LD	LPTV Station
Charlottesville, VA	182	WUDJ-LD	LPTV Station
Puerto Rico	NA	WOST	Full-Power Station
		WQQZ-CD	Class A Station
		WWKQ-LD	LPTV Station
		W20EJ-D	LPTV Station
		W27DZ-D	LPTV Station

(a) Rankings are based on the relative size of a station's Designated Market Area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen Media Research (Nielsen) as of December 31, 2019.
(b) WTXX-LD is an LPTV license broadcasting on full-power station WEDW, pursuant to a channel-sharing agreement. The station is currently broadcasting from Bridgeport, CT. An application for a DTS installation is pending approval by the FCC, enabling the station to broadcast from the Empire State Building in midtown Manhattan once approved.

Broadcast Operations

HC2 Broadcasting carries more than 70 networks on its stations, distributing content across the U.S. Broadcasting provides free OTA programming to television viewing audiences in the communities it serves. The programming Broadcasting distributes includes networks targeting shopping, weather, sports and entertainment programming, as well as religious networks and networks targeting select ethnic groups.

Revenues

Network advertising revenue is generated primarily from the sale of television airtime for advertisements or paid programming. Network advertising inventory is sold in the upfront and scatter markets and is offered at market rates, based on a number of factors such as available inventory, network programming and ratings, and economic conditions. In the upfront market, advertisers buy advertising time for the upcoming season in advance. In the scatter market, advertisers buy advertising time close to the time when the commercials will be run and varies quarter over quarter. In some cases, the network advertising sales are subject to impressions guarantees that require the Company to provide additional advertising time if the guaranteed audience levels are not achieved. Network advertising revenue is recognized when advertising spots are aired, and as impressions guarantees, if any, are achieved. Impressions are defined as the number of times that an advertisement is viewed by users. The achievement of performance guarantees is based on audience viewership from an independent research company. If there is a guarantee to deliver a targeted audience number of impressions, revenues are recognized based on the proportion of the audience impressions delivered to the total guaranteed in the contract.

For the local inventory the Company sells national spot advertising and local advertising. National spot advertising represents time sold to advertisers that advertise in more than one designated market area ("DMA"). Local advertising revenue is generated from local merchants and service providers. National and local advertising spots are generally sold without guaranteed ratings, and revenue is recognized when spots are aired.

In the normal course of business, the Company uses an intermediary or agent in executing transactions with third parties. When the intermediary or agent is determined to be the Company's customer, the Company records revenue based on the amount it expects to receive from the agent, net of commissions.

Broadcast station revenue is generated primarily from the sale of television airtime in return for a fixed fee or a portion of the related ad sales recognized by the third party. In a typical broadcast station revenue agreement, the licensee of a station makes available, for a fee, airtime on its station to a party which supplies content to be broadcast during that airtime and collects revenue from advertising aired during such content. Broadcast station revenue is recognized over the life of the contract, when the program is broadcast. The fees that we charge can be fixed or variable and the contracts that the Company enters into are generally short-term in nature. Variable fees are usage/sales-based and recognized as revenue when the subsequent usage occurs. Transaction prices are based on the contract terms, with no material judgments or estimates.

Network distribution revenue consists of fees charged and payments received from cable, satellite and other multiple video program distribution ("MVPD") systems for their retransmission of our network content. The Company's network is aired on MVPDs pursuant to multi-year carriage agreements that provide for the level of carriage that the Company's network will receive. Carriage of the network is generally determined by package, such as whether the network is included in the more widely distributed, general entertainment packages offered or lesser-distributed, specialized packages, such as U.S. Hispanic-targeted or Spanish language package. Network distribution revenue is determined on the contractual rate-per-subscriber negotiated in the agreements, the average number of subscribers that receive content, and the market demand for the content that the Company provides. Network distribution fees received from cable and satellite MVPDs are recognized as revenue in the period that services are provided.

Strategy

HC2 Broadcasting's strategy includes the following initiatives:

- HC2 Broadcasting is principally designed to be a nationwide OTA distribution platform, targeting the growing number of OTA households in the U.S.;

- HC2 Broadcasting's growing revenue source is from providing national carriage to content providers. Pricing carriage contracts is in part determined by the signal contour of the broadcast station and the number of OTA TV households in a given market, as well as market supply and demand;

- Once all the operating stations are connected to HC2 Broadcasting's cloud-based IP backbone, HC2 Broadcasting's stations can be operated and monitored remotely, allowing for substantial cost savings and operating efficiencies. Recent FCC deregulation in TV broadcasting has eliminated the need for full time employees and studio facilities in markets where HC2 Broadcasting operates Full-Power and Class A stations, thus allowing HC2 Broadcasting to operate these stations remotely at greater cost efficiency;

- As an anchor network tenant, Azteca America is distributed on the HC2 Broadcasting platform in 35+ markets;

- HC2 Broadcasting's major focus is to attract the highest quality content providers looking for nationwide distribution. With its national footprint and cloud-based infrastructure, HC2 Broadcasting also expects to realize premium pricing for content distribution; and

- HC2 Broadcasting's vision is to capitalize on the opportunities to bring valuable content to more viewers over-the-air and to position itself for the changing media landscape and to take advantage of the technology advances rapidly underway in the industry.

New Broadcast TV Technology: ATSC 3.0

In 2017, the FCC approved ATSC 3.0, next generation broadcast standards defining how television signals are broadcast and interpreted. ATSC 3.0 is an enhancement to previous broadcast standards, providing mobility, addressability, increased capacity, and IP connectivity. ATSC 3.0 merges linear and non-TV data services alongside OTA and over-the-top ("OTT"). Among the many emerging opportunities are hyper-local news, weather, and traffic; dynamic ad insertion; geographic and demographic targeted advertising; customizable content; better measurement and analytics; the ability to share data with devices connected to the Internet; flexibility to add streams as needed; an ultra-high definition picture quality with enhanced immersive audio; and connectivity to automobiles. In addition, ATSC 3.0 provides new emergency capabilities including advanced alerting functions which can provide evacuation routes and device wake-up features. All of these features will be available to mobile devices.

Employees

As of December 31, 2019, HC2 Broadcasting employed approximately 64 people across the U.S.

See Note 22. Operating Segment and Related Information for additional detail regarding HC2 Broadcasting's operating segment and financial information by geographic area.

Environmental Regulation and Laws

Our operations and properties, including those of DBMG and GMSL, are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those concerning emissions into the air, discharge into waterways, generation, storage, handling, treatment and disposal of waste materials and health and safety of employees. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. These laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment or relating to the protection of the environment has not had a material impact on our capital expenditures, earnings or competitive position. Based on our experience to date, we do not currently anticipate any material adverse effect on our business or consolidated financial position, results of operations or cash flows as a result of future compliance with existing environmental laws and regulations. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which may be material. Accordingly, there can be no assurance that we will not incur significant environmental compliance costs in the future.

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 United States Securities and Exchange Commission (the "SEC"). The information on our website is not a part of this Annual Report on Form 10-K.

The information required by this item relating to our executive officers, directors and code of conduct is set forth below. Information relating to our Audit Committee and Audit Committee Financial Expert will be set forth in our 2020 Proxy Statement under the Caption "Board Committees" and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The following risk factors and the forward-looking statements elsewhere herein should be read carefully in connection with evaluating the business of the Company and its subsidiaries. A wide range of events and circumstances could materially affect our overall performance, the performance of particular businesses and our results of operations, and therefore, an investment in us is subject to risks and uncertainties. In addition to the important factors affecting specific business operations and the financial results of those operations identified elsewhere in this Annual Report on Form 10-K, the following important factors, among others, could adversely affect our operations. While each risk is described separately below, some of these risks are interrelated and it is possible that certain risks could trigger the applicability of other risks described below. Also, the risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us, or that are currently deemed immaterial, could also potentially impair our overall performance, the performance of particular businesses and our results of operations. These risk factors may be amended, supplemented or superseded from time to time in filings and reports that we file with the SEC in the future.

Risks Related to Our Businesses

HC2 is a holding company and its only material assets are its cash in hand, equity interests in its operating subsidiaries and its other investments. As a result, HC2's principal source of revenue and cash flow is distributions from its subsidiaries and its subsidiaries may be limited by law and by contract in making distributions to HC2.

As a holding company, HC2's assets are its cash and cash equivalents, the equity interests in its subsidiaries and other investments. As of December 31, 2019, we had $11.6 million in cash and cash equivalents at the corporate level at HC2.

HC2's principal source of revenue and cash flow is distributions from its subsidiaries. Thus, its ability to service its debt, including the $470.0 million in aggregate principal amount of 11.5% Senior Secured Notes due 2021 (the "Secured Notes"), $55.0 million aggregate principal amount of 7.5% convertible senior notes due 2022 (the "Convertible Notes"), and $15.0 million secured revolving credit agreement (the "Revolving Credit Agreement"), and to finance future acquisitions, is dependent on the ability of its subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to HC2. HC2's subsidiaries are separate legal entities, and although they may be wholly-owned or controlled by HC2, they have no obligation to make any funds available to HC2, whether in the form of loans, dividends, distributions or otherwise. The ability of HC2's subsidiaries to distribute cash to it are and will remain subject to, among other things, restrictions that are contained in its subsidiaries' financing agreements, availability of sufficient funds and applicable state laws and regulatory restrictions. For instance, each of DBMG and GMSL are borrowers under credit facilities that restrict their ability to make distributions or loans to HC2. Specifically, DBMG is party to credit agreements that include certain financial covenants that can limit the amount of cash available to make upstream dividend payments to HC2. For additional information, See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of operations - Liquidity and Capital Resources."

Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of HC2's subsidiaries to distribute dividends or other payments to HC2 could be limited in any way, our ability to grow, pursue business opportunities or make acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business could be materially limited. In addition, if HC2 depends on distributions and loans from its subsidiaries to make payments on HC2's debt, and if such subsidiaries were unable to distribute or loan money to HC2, HC2 could default on its debt, which would permit the holders of such debt to accelerate the maturity of the debt which may also accelerate the maturity of other debt of ours with cross-default or cross-acceleration provisions.

To service our indebtedness and other obligations, we will require a significant amount of cash.

Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations, including under our outstanding indebtedness, and our obligations under our outstanding shares of preferred stock, could harm our business, financial condition and results of operations. Our ability to make payments on and to refinance our indebtedness and outstanding preferred stock and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. For a description of our and our subsidiaries indebtedness, see Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14. Debt Obligations, of the "Notes to Consolidated Financial Statements."

If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us in an amount sufficient to enable us and our subsidiaries to pay our indebtedness or make mandatory redemption payments with respect to our outstanding shares of preferred stock, or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness or redeem the preferred stock, on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on us.

In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness or redeem the preferred stock will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt or financings related to the redemption of our preferred stock could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments or preferred stock may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness or dividend payments on our outstanding shares of preferred stock would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or otherwise raise capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service and other obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations.

The agreements governing our indebtedness and Certificate of Designations for our outstanding shares of preferred stock contain various covenants that limit our discretion in the operation of our business and/or require us to meet financial maintenance tests and other covenants. The failure to comply with such tests and covenants could have a material adverse effect on us.

The agreements governing our indebtedness and the Certificate of Designations for our outstanding shares of preferred stock contain, and any of our other future financing agreements may contain, covenants imposing operating and financial restrictions on our businesses.

The indenture governing the 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"), and the separate indenture governing the Convertible Notes dated November 20, 2018, between HC2 and U.S. Bank, as trustee (the "Convertible Indenture"), contain, and any future indentures may contain various covenants, including those that restrict our ability to, 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.

The debt facilities at our subsidiaries contain similar covenants applicable to each respective subsidiary. These covenants may limit our ability to effectively operate our businesses. For example, DBMG has an indemnity agreement with its surety bond provider that also contains covenants on retention of capital and working capital requirements for DBMG, which may limit the amount of dividends DBMG may pay to its stockholders.

In addition, the Secured Indenture requires that we meet certain financial tests, including a collateral coverage ratio and minimum liquidity test. Our ability to satisfy these tests may be affected by factors and events beyond our control, and we may be unable to meet such tests in the future.

Any failure to comply with the restrictions in the agreements governing our indentures, or any agreement governing other indebtedness we could incur, may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which acceleration may trigger cross-acceleration or cross-default provisions in other debt. If any of these risks were to occur, our business and operations could be materially and adversely affected.

The Certificates of Designation provide the holders of our preferred stock with consent and voting rights with respect to certain of the matters referred to above, in addition to certain corporate governance rights. These restrictions may interfere with our ability to obtain financings or to engage in other business activities, which could have a material adverse effect on our business and operations.

We have significant indebtedness and other financing arrangements and could incur additional indebtedness and other obligations, which could adversely affect our business and financial condition.

We have a significant amount of indebtedness and outstanding shares of preferred stock. As of December 31, 2019, our total outstanding indebtedness was $839.3 million and the accrued value of our outstanding preferred stock was $26.5 million inclusive of shares held by our Insurance Company which are eliminated in consolidation. We may not generate enough cash flow to satisfy our obligations under such indebtedness and other arrangements. This significant amount of indebtedness poses risks such as risk of inability to repay such indebtedness, as well as:

- increased vulnerability to general adverse economic and industry conditions;
- higher interest expense if interest rates increase on our floating rate borrowings are not effective to mitigate the effects of these increases;
- our Secured Notes are secured by substantially all of HC2's assets and those of certain of HC2's subsidiaries that have guaranteed the Secured Notes, including certain equity interests in our other subsidiaries and other investments, as well as certain intellectual property and trademarks, and those assets cannot be pledged to secure other financings;
- certain assets of our subsidiaries are pledged to secure their indebtedness, and those assets cannot be pledged to secure other financings;
- our having to divert a significant portion of our cash flow from operations to payments on our indebtedness and other arrangements, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;

- limiting our ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, expansion plans and other investments, which may limit our ability to implement our business strategy;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and
- placing us at a competitive disadvantage compared to our competitors that have less debt and fewer other outstanding obligations.

In addition, it is possible that we may need to incur additional indebtedness or enter into additional financing arrangements in the future in the ordinary course of business. The terms of the Secured Indenture and our subsidiaries' other financing arrangements allow us to incur additional debt and issue additional shares of preferred stock, subject to certain limitations. If additional indebtedness is incurred or equity is issued, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

We have experienced significant historical, and may experience significant future, operating losses and net losses, which may hinder our ability to meet working capital requirements or service our indebtedness, and we cannot assure you that we will generate sufficient cash flow from operations to meet such requirements or service our indebtedness.

We cannot assure you that we will recognize net income in future periods. If we cannot generate net income or sufficient operating profitability, we may not be able to meet our working capital requirements or service our indebtedness. Our ability to generate sufficient cash for our operations will depend upon, among other things, the future financial and operating performance of our operating business, which will be affected by prevailing economic and related industry conditions and financial, business, regulatory and other factors, many of which are beyond our control. We recognized net loss income attributable to HC2 of $31.5 million in 2019 and net income attributable to HC2 of $155.6 million in 2018, and have incurred net losses in prior periods.

We cannot assure you that our business will generate cash flow from operations in an amount sufficient to fund our liquidity needs. If our cash flows and capital resources are insufficient, we may be forced to reduce or delay capital expenditures, sell assets and/or seek additional capital or financings. Our ability to obtain future financings will depend on the condition of the capital markets and our financial condition at such time. Any financings could be at high interest rates and may require us to comply with covenants in addition to, or more restrictive than, covenants in our current financing documents, which could further restrict our business operations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such disposition may not be adequate to meet our obligations. We recognized cash flows from operating activities of $110.5 million in 2019 and $341.4 million in 2018.

We are dependent on Philip A. Falcone, our Chairman, CEO and President, and certain other key personnel, the loss or distraction of whom may adversely affect our financial condition or results of operations.

We believe that the future success of HC2 and its operating subsidiaries depends and will depend to a significant extent upon the performance of Philip A. Falcone, our Chairman, CEO and President, who has served as our Chairman, CEO and President since May 2014, as well as the services of other key personnel at HC2 and its operating subsidiaries, which may consist of a relatively small number of individuals that possess sales, marketing, engineering, financial, technical and other skills that are critical to the operation of our businesses. The executive management teams that lead our subsidiaries are also highly experienced and possess extensive skills in their relevant industries. The ability to retain key personnel is important to our success and future growth. Competition for these professionals can be intense, and we may not be able to retain and motivate our existing officers and senior employees, and continue to compensate such individuals competitively. The unexpected loss of the services of one or more of these individuals, whether due to competition, distraction caused by personal matters or otherwise, could have a detrimental effect on the financial condition or results of operations of our businesses, and could hinder the ability of such businesses to effectively compete in the various industries in which we operate. Mr. Falcone is a named defendant in litigation in connection with certain personal financial matters. HC2 understands that Mr. Falcone continues to vigorously pursue his defense in connection with these matters which may be time consuming, may divert Mr. Falcone's attention from management of our business and therefore may adversely affect our business, and could result in the loss of certain shares of his investment in HC2.

We and our subsidiaries may not be able to attract and/or retain additional skilled personnel.

We may not be able to attract new personnel, including management and technical and sales personnel, necessary for future growth, or replace lost personnel. In particular, the activities of some of our operating subsidiaries, such as GMSL and CGI require personnel with highly specialized skills. Competition for the best personnel in our businesses can be intense. Our financial condition and results of operations could be materially adversely affected if we are unable to attract and/or retain qualified personnel.

We may identify material weaknesses in our internal control over financial reporting which could adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As of December 31, 2019 and 2018, management concluded that our internal control over financial reporting was effective.

In future periods, if the process required by Section 404 of the Sarbanes-Oxley Act of 2002, (the "Sarbanes-Oxley Act") reveals or we otherwise identify one or more material weaknesses or significant deficiencies, the correction of any such material weakness or significant deficiency could require additional remedial measures including additional personnel which could be costly and time-consuming. If a material weakness exists as of a future period year-end (including a material weakness identified prior to year-end for which there is an insufficient period of time to evaluate and confirm the effectiveness of the corrections or related new procedures), our management will be unable to report favorably as of such future period year-end to the effectiveness of our control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective in any future period, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the trading price of our common stock and potentially subject us to additional and potentially costly litigation and governmental inquiries/investigations.

Fluctuations in the exchange rate of the U.S. dollar and in foreign currencies may adversely impact our results of operations and financial condition.

We conduct various operations outside the United States, primarily in the United Kingdom. As a result, we face exposure to movements in currency exchange rates. These exposures include but are not limited to:

- re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities;
- translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars, our functional currency, upon consolidation; and
- planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur.

We face risks related to changes in U.S. trade policy arising from the current administration.

The U.S. government has indicated its intent to adopt a new approach to trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. For example, the current administration has reached a new trade agreement with the governments of Canada and Mexico to replace the North American Free Trade Agreement ("NAFTA") with the United States-Mexico-Canada Agreement ("USMCA"). The USMCA maintains duty-free access for most products and leaves many key provisions of the NAFTA agreement intact. On January 29, 2020, following Congressional approval, President Trump signed an agreement with Mexico on the USMCA. The agreement remains subject to ratification by the government of Canada. The full impact of this agreement on us, our customers and on economic conditions is currently unknown. Furthermore, the current administration has threatened tougher trade terms with China and other countries. The current administration’s assertive trade policies could result in further conflicts with U.S. trading partners, affecting the Company’s supply chains, sourcing, and markets. Foreign countries may impose additional burdens on U.S. companies through the use of local regulations, tariffs or other requirements which could increase our operating costs in those foreign jurisdictions. It remains unclear what additional actions, if any, the current administration will take. If the United States were to materially modify international trade agreements to which it is a party, or if tariffs were raised on the foreign-sourced goods that we sell, such goods may no longer be available at a commercially attractive price, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Because we face significant competition for acquisition and business opportunities, including from numerous companies with a business plan similar to ours, it may be difficult for us to fully execute our business strategy. Additionally, our subsidiaries also operate in highly competitive industries, limiting their ability to gain or maintain their positions in their respective industries.

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

In addition, while we believe that there are numerous target businesses that we could potentially acquire or invest in, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. We may need to obtain additional financing in order to consummate future acquisitions and investment opportunities and cannot assure you that any additional financing will be available to us on acceptable terms, or at all, or that the terms of our existing financing arrangements will not limit our ability to do so. This inherent competitive limitation gives others an advantage in pursuing acquisition and investment opportunities.

Furthermore, our subsidiaries also face competition from both traditional and new market entrants that may adversely affect them as well, as discussed below in the risk factors related to DBMG, GMSL, ANG, ICS, the Insurance Company, and HC2 Broadcasting.

Future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and results of operations.

We are a diversified holding company that owns interests in a number of different businesses. We have in the past, and intend in the future, to acquire businesses or make investments, directly or indirectly through our subsidiaries, that involve unknown risks, some of which will be particular to the industry in which the investment or acquisition targets operate, including risks in industries with which we are not familiar or experienced. There can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us or the entities that we may acquire. We may be unable to adequately address the financial, legal and operational risks raised by such investments or acquisitions, especially if we are unfamiliar with the relevant industry, which can lead to significant losses on material investments. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the investments or acquisitions, which could adversely affect our financial condition and liquidity. In addition, our financial condition, results of operations and the ability to service our debt may be adversely impacted depending on the specific risks applicable to any business we invest in or acquire and our ability to address those risks.

We rely on information systems to conduct our businesses, and failure to protect these systems against security breaches and otherwise to implement, integrate, upgrade and maintain such systems in working order could have a material adverse effect on our results of operations, cash flows or financial condition.

The efficient operation of our businesses is dependent on computer hardware and software systems. For instance, HC2 and its subsidiaries rely on information systems to process customer orders, manage inventory and accounts receivable collections, purchase products, manage accounts payable processes, track costs and operations, maintain client relationships and accumulate financial results. Information technology security threats - from user error to cybersecurity attacks designed to gain unauthorized access to our systems, networks and data - are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. Cybersecurity attacks could also include attacks targeting sensitive data or the security, integrity and/or reliability of the hardware and software installed in products we use. We treat such cybersecurity risks seriously given these threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. We devote resources to maintain and regularly update our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets against attempts by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, and we have implemented certain review and approval procedures internally and with our banks; and have implemented system-wide changes. Despite our implementation of industry-accepted security measures and technology, our information systems are vulnerable to and have been in the past subject to computer viruses, malicious codes, unauthorized access, phishing efforts, denial-of-service attacks and other cyber attacks and we expect to be subject to similar attacks in the future as such attacks become more sophisticated and frequent. Although to date, such attacks have not had a material impact on our financial condition, results of operations or liquidity, there can be no assurance that our cyber-security measures and technology will adequately protect us from these and other risks, including internal and external risks such as natural disasters and power outages and internal risks such as insecure coding and human error. Attacks perpetrated against our information systems could result in loss of assets and critical information, theft of intellectual property or inappropriate disclosure of confidential information and could expose us to remediation costs and reputational damage. In addition, the unexpected or sustained unavailability of the information systems or the failure of these systems to perform as anticipated for any reason, including cyber-security attacks and other intentional hacking, could subject us to legal claims if there is loss, disclosure or misappropriation of or access to our customers' information and could result in service interruptions, safety failures, security violations, regulatory compliance failures, an inability to protect information and assets against intruders, sensitive data being lost or manipulated and could otherwise disrupt our businesses and result in decreased performance, operational difficulties and increased costs, any of which could adversely affect our business, results of operations, financial condition or liquidity.

We intend to increase our operational size in the future, and may experience difficulties in managing growth.

We have adopted a business strategy that contemplates that we will expand our operations, including future acquisitions or other business opportunities, and as a result, we are required to increase our level of corporate functions, which may include hiring additional personnel to perform such functions and enhancing our information technology systems. Any future growth may increase our corporate operating costs and expenses and impose significant added responsibilities on members of our management, including the need to identify, recruit, maintain and integrate additional employees and implement enhanced informational technology systems. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively.

We may not be able to fully utilize our net operating loss and other tax carryforwards.

Our ability to utilize our NOL and other tax carryforward amounts, such as Section 163(j) disallowed interest carryforwards, to reduce taxable income in future years may be limited for various reasons. As a result of the enactment of the Tax Cuts and Jobs Act ("TCJA"), the deduction for NOLs arising in tax years after December 31, 2017, will be limited to 80% of taxable income, although they can be carried forward indefinitely. NOLs that arose prior to the years beginning January 1, 2018 are still subject to the same carryforward periods. In addition, our ability to fully utilize these U.S. tax assets can be adversely affected by "ownership changes" within the meaning of Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"). An ownership change is generally defined as a greater than a 50 percentage point increase in equity ownership by "5% shareholders" (as that term is defined for purposes of Sections 382 and 383 of the Code) in any three-year period.

In 2014, substantial acquisitions of our common stock were reported by new beneficial owners on Schedule 13D filings made with the SEC, and we issued shares of our preferred stock, which are convertible into a substantial number of shares of our common stock. During the second quarter of 2014, we completed a Section 382 review. The conclusions of this review indicated that an ownership change had occurred as of May 29, 2014.

As a result of our common stock offering in November 2015 and our purchase of GrayWolf in November 2018, we triggered additional ownership changes, imposing additional limitations on the use of our NOL carryforward amounts. The ownership changes may impact the timing of our ability to use these losses. There can be no assurance that future ownership changes would not further negatively impact our NOL carryforward amounts because any future annual Section 382 limitation will ultimately depend on the value of our equity as determined for these purposes and the amount of unrealized gains immediately prior to such ownership change.

We have restated certain of our financial statements in the past and may be required to do so in the future, which may lead to additional risks and uncertainties, including stockholder litigation and loss of investor confidence.

The preparation of financial statements in accordance with GAAP involves making estimates, judgments, interpretations and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and income. These estimates, judgments, interpretations and assumptions are often inherently imprecise or uncertain, and any necessary revisions to prior estimates, judgments, interpretations or assumptions could lead to a restatement of our financial statements. For example, in March 2016, we restated certain of our historical financial statements. Any such restatement or correction may be highly time consuming, may require substantial attention from management and significant accounting costs, may result in adverse regulatory actions by the SEC or NYSE, may result in stockholder litigation, may cause us to fail to meet our reporting obligations, and may cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

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

While we have adopted a code of ethics applicable to our officers and directors reasonably designed to promote the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, we have neither adopted a policy that expressly prohibits our directors, officers, stockholders or affiliates from having a direct or indirect pecuniary interest in any transaction to which we are a party or in which we have an interest nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. We have in the past engaged in transactions in which such persons have an interest and, subject to the terms of any applicable covenants in financing arrangements or other agreements we may enter into from time to time, may in the future enter into additional transactions in which such persons have an interest. In addition, such parties may have an interest in certain transactions such as strategic partnerships or joint ventures in which we are involved, and may also compete with us.

In the course of their other business activities, certain of our current and future directors and officers may become aware of business and acquisition opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. Such directors and officers are not required to and may therefore not present otherwise attractive business or acquisition opportunities to us.

Certain of our current and future directors and officers may become aware of business and acquisition opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to those directors’ and officers’ affiliations with other entities, they may have obligations to present potential business and acquisition opportunities to those entities, which could cause conflicts of interest. Moreover, as permitted by Delaware law, our Certificate of Incorporation contains a provision that renounces our expectation to certain corporate opportunities that are presented to our current and future directors that serve in capacities with other entities. Accordingly, our directors and officers may not present otherwise attractive business or acquisition opportunities to us of which they may become aware.

We may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status.

We believe we are not an investment company as defined by the Investment Company Act of 1940, and have operated our business in accordance with such view. If the SEC or a court were to disagree with us, we could be required to register as an investment company. This would subject us to disclosure and accounting rules geared toward investment, rather than operating, companies; limit our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and require us to undertake significant costs and expenses to meet the disclosure and other regulatory requirements to which we would be subject as a registered investment company.

We are subject to litigation in respect of which we are unable to accurately assess our level of exposure and which, if adversely determined, may have a material adverse effect on our financial condition and results of operations.

We are currently, and may become in the future, party to legal proceedings that are considered to be either ordinary or routine litigation incidental to our current or prior businesses or not material to our financial position or results of operations. We also are currently, or may become in the future, party to legal proceedings with the potential to be material to our financial position or results of operations. There can be no assurance that we will prevail in any litigation in which we may become involved, or that our insurance coverage will be adequate to cover any potential losses. To the extent that we sustain losses from any pending litigation which are not reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be materially adversely affected. See Item 3, "Legal Proceedings."

Deterioration of global economic conditions could adversely affect our business.

The global economy and capital and credit markets have experienced exceptional turmoil and upheaval over the past several years. Many major economies worldwide entered significant economic recessions in recent times and continue to experience economic weakness, with the potential for another economic downturn to occur. Ongoing concerns about the systemic impact of potential long-term and widespread recession and potentially prolonged economic recovery, volatile energy costs, fluctuating commodity prices and interest rates, volatile exchange rates, geopolitical issues, natural disasters and pandemic illness, instability in credit markets, cost and terms of credit, consumer and business confidence and demand, a changing financial, regulatory and political environment, and substantially increased unemployment rates have all contributed to increased market volatility and diminished expectations for many established and emerging economies, including those in which we operate. Furthermore, austerity measures that certain countries may agree to as part of any debt crisis or disruptions to major financial trading markets may adversely affect world economic conditions and have an adverse impact on our business. These general economic conditions could have a material adverse effect on our cash flow from operations, results of operations and overall financial condition.

The availability, cost and terms of credit also have been and may continue to be adversely affected by illiquid markets and wider credit spreads. Concern about the stability of the markets generally, and the strength of counterparties specifically, has led many lenders and institutional investors to reduce credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers over the past several years, and a corresponding slowdown in global infrastructure spending.

Continued uncertainty in the U.S. and international markets and economies and prolonged stagnation in business and consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to access capital markets and obtain capital lease financing to meet liquidity needs.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. In January 2020, this coronavirus spread to other countries, including the United States, and efforts to contain the spread of this coronavirus intensified. The outbreak and any preventative or protective actions that governments or we may take in respect of this coronavirus may result in a period of business disruption, reduced customer traffic and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but may materially affect our business, financial condition and results of operations. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

We are subject to risks associated with our international operations.

We operate in international markets, and may in the future consummate additional investments in or acquisitions of foreign businesses. Our international operations are subject to a number of risks, including:

- political conditions and events, including embargo;
- changing regulatory environments, including as a result of Brexit;
- outbreaks of pandemic diseases or fear of such outbreaks;
- restrictive actions by U.S. and foreign governments;
- the imposition of withholding or other taxes on foreign income, tariffs or restrictions on foreign trade and investment;
- adverse tax consequences;
- limitations on repatriation of earnings and cash;
- currency exchange controls and import/export quotas;
- nationalization, expropriation, asset seizure, blockades and blacklisting;
- limitations in the availability, amount or terms of insurance coverage;
- loss of contract rights and inability to adequately enforce contracts;
- political instability, war and civil disturbances or other risks that may limit or disrupt markets, such as terrorist attacks, piracy and kidnapping;
- fluctuations in currency exchange rates, hard currency shortages and controls on currency exchange that affect demand for our services and our profitability;
- potential noncompliance with a wide variety of anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), and similar non-U.S. laws and regulations, including the U.K. Bribery Act 2010 (the "Bribery Act");

- labor strikes and shortages;
- changes in general economic and political conditions;
- adverse changes in foreign laws or regulatory requirements; and
- different liability standards and legal systems that may be less developed and less predictable than those in the United States.

If we are unable to adequately address these risks, we could lose our ability to operate in certain international markets and our business, financial condition or results of operations could be materially adversely affected.

The U.S. Departments of Justice, Commerce, Treasury and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the FCPA, and other federal statutes, sanctions and regulations, including those established by the Office of Foreign Assets Control ("OFAC") and, increasingly, similar or more restrictive foreign laws, rules and regulations. By virtue of these laws and regulations, and under laws and regulations in other jurisdictions, including the European Union and the United Kingdom, we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance.

In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws and we expect the relevant agencies to continue to increase these activities. A violation of these laws, sanctions or regulations could materially adversely affect our business, financial condition or results of operations.

The Company has compliance policies in place for its employees with respect to FCPA, OFAC, the Bribery Act and similar laws. Our operating subsidiaries also have relevant compliance policies in place for their employees, which are tailored to their operations. However, there can be no assurance that our employees, consultants or agents, or those of our subsidiaries or investees, will not engage in conduct for which we may be held responsible. Violations of the FCPA, the Bribery Act, the rules and regulations established by OFAC and other laws, sanctions or regulations may result in severe criminal or civil penalties, and we may be subject to other liabilities, which could materially adversely affect our business, financial condition or results of operations.

Furthermore, significant developments stemming from the current U.S. administration's trade policies could have a material adverse effect on us. For example, the administration has expressed a desire to alter existing trade agreements and proposed increases in tariffs on goods imported into the United States, particularly from China." Further changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop and sell products, and any negative sentiments towards the United States as a result of such changes, could adversely affect our business. In addition, negative sentiments towards the United States among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively.

Due to the fact that we have operations located within the United Kingdom (UK), our business and financial results may be negatively impacted as a result of the UK's exit from the European Union (EU), resulting primarily from (a) continued depression in the value of the GBP as compared to the USD; and (b) potential price increases for supplies purchased by our UK businesses from companies located in the EU or elsewhere.

On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union ("Brexit"). Under the process for leaving the European Union contemplated in Article 50 of the Treaty on the Functioning of the European Union, the United Kingdom left the European Union on January 31, 2020 and entered an 11-month transitional period. During the transitional period, the United Kingdom and the European Union will negotiate the terms of their future relationship and during this period most European Union law will continue to apply to the United Kingdom. The full effect of Brexit is difficult to predict, however it could have a significant adverse impact on United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. For example, following the UK's vote to leave the EU in 2016, the value of the British pound ("GBP") incurred significant fluctuations. If the value of the GBP continues to incur similar fluctuations, unfavorable exchange rate changes may negatively affect the value of our operations and businesses located in the UK, as translated to our reporting currency, the USD, in accordance with US GAAP, which may impact the revenue and earnings we report. For more information with respect to Exchange Rate risk applicable to us, please see Part 2 Item 7A. "Market Risk Disclosures" elsewhere in this Annual Report on Form 10-K. Continued fluctuations in the GBP may also result in the imposition of price adjustments by EU-based suppliers to our UK businesses, as those suppliers seek to compensate for the changes in value of the GBP as compared to the Euro. There is no guarantee that an agreement between the United Kingdom and the European Union will be reached. A so-called "Hard Brexit," where no formal agreement is made between the EU and UK, could result in a continued deflation of the GBP, additional increases in prices, fees, taxes or tariffs applicable to goods that are bought and sold between the UK and Europe, and a negative impact on end markets in the UK as a result of declines in consumer sentiment or decreased immigration rates into the UK. Any of these results could have a material adverse effect on the business, revenues and financial condition of our UK and European operations.

We may be required to expend substantial sums in order to bring the companies we have acquired or may acquire in the future, into compliance with the various reporting requirements applicable to public companies and/or to prepare required financial statements, and such efforts may harm our operating results or be unsuccessful altogether.

The "Sarbanes-Oxley Act requires our management to assess the effectiveness of the internal control over financial reporting for the companies we acquire and our external auditor to attest to, and report on the internal control over financial reporting, for these companies. In order to comply with the Sarbanes-Oxley Act, we will need to implement or enhance internal control over financial reporting at acquired companies and evaluate the internal controls. We do not conduct a formal evaluation of companies' internal control over financial reporting prior to an acquisition. We may be required to hire additional staff and incur substantial costs to implement the necessary new internal controls at the companies we acquire. Any failure to implement required internal controls, or difficulties encountered in their implementation, could harm our operating results or increase the risk of material weaknesses in internal controls, which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner.

We face certain risks associated with the acquisition or disposition of businesses and lack of control over certain of our investments.

In pursuing our corporate strategy, we may acquire, dispose of or exit businesses or reorganize existing investments. The success of this strategy is dependent upon our ability to identify appropriate opportunities, negotiate transactions on favorable terms and ultimately complete such transactions.

In the course of our acquisitions, we may not acquire 100% ownership of certain of our operating subsidiaries or we may face delays in completing certain acquisitions, including in acquiring full ownership of certain of our operating companies. Once we complete acquisitions or reorganizations there can be no assurance that we will realize the anticipated benefits of any transaction, including revenue growth, operational efficiencies or expected synergies. If we fail to recognize some or all of the strategic benefits and synergies expected from a transaction, goodwill and intangible assets may be impaired in future periods. The negotiations associated with the acquisition and disposition of businesses could also disrupt our ongoing business, distract management and employees or increase our expenses.

In addition, we may not be able to integrate acquisitions successfully and we could incur or assume unknown or unanticipated liabilities or contingencies, which may impact our results of operations. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

In the ordinary course of our business, we evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives or that no longer fit with our broader strategy. For example, 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. and on March 2, 2020, we announced that a subsidiary of GMH LLC, in which HC2 holds an approximate 73% equity interest, completed the sale of 100% of GMSL to an investment affiliate of J.F. Lehman & Company, LLC. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives, or we may dispose of a business at a price or on terms which are less than we had anticipated. In addition, there is a risk that we sell a business whose subsequent performance exceeds our expectations, in which case our decision would have potentially sacrificed enterprise value.

In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following:

- the difficulty of integrating acquired products, services or operations;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and customers as a result of any integration of new management personnel;
- difficulties in disposing of the excess or idle facilities of an acquired company or business and expenses in maintaining such facilities; and
- the effect of and potential expenses under the labor, environmental and other laws and regulations of various jurisdictions to which the business acquired is subject.

We also own a minority interest in a number of entities, such as MediBeacon and Triple Ring Technologies, Inc., over which we do not exercise, or have only limited, management control and we are therefore unable to direct or manage the business to realize the anticipated benefits that we can achieve through full integration.

We have incurred substantial costs in connection with our prior acquisitions and expect to incur substantial costs in connection with any other transaction we complete in the future, which may increase our indebtedness or reduce the amount of our available cash and could adversely affect our financial condition, results of operations and liquidity.

We have incurred substantial costs in connection with our prior acquisitions and expect to incur substantial costs in connection with any other transactions we complete in the future. These costs may increase our indebtedness or reduce the amount of cash otherwise available to us for acquisitions, business opportunities and other corporate purposes. There is no assurance that the actual costs associated with any such acquisitions will not exceed our estimates. Once an acquisition is consummated, we may continue to incur additional material charges reflecting additional costs associated with our investments and the integration of HC2 and our subsidiaries' acquisitions in fiscal quarters subsequent to the quarter in which such investments and acquisitions were consummated.

Our development stage companies may never produce revenues or income.

We have made investments in and own a majority stake in a number of development stage companies, primarily in our Life Sciences segment. Each of these companies is at an early stage of development and is subject to all business risks associated with a new enterprise, including constraints on their financial and personnel resources, lack of established credit, the need to establish meaningful and beneficial vendor and customer relationships and uncertainties regarding product development and future revenues. We anticipate that many of these companies will continue to incur substantial additional operating losses for at least the next several years and expect their losses to increase as research and development efforts expand. There can be no assurance as to when or whether any of these companies will be able to develop significant sources of revenue or that any of their respective operations will become profitable, even if any of them is able to commercialize any products. As a result, we may not realize any returns on our investments in these companies, which could adversely affect our business, results of operations, financial condition or liquidity.

We could consume resources in researching acquisitions, business opportunities or financings and capital market transactions that are not consummated, which could materially adversely affect subsequent attempts to locate and acquire or invest in another business.

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

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

We may incur significant taxes in connection with effecting acquisitions of, or investments in, holding, receiving payments from, operating or disposing of target companies and assets. Our decision to make a particular acquisition, sell a particular asset or increase or decrease a particular investment may be based on considerations other than the timing and amount of taxes owed as a result thereof. We remain liable for certain tax obligations of certain disposed companies, and we may be required to make material payments in connection therewith.

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

We have, indirectly through our subsidiaries, formed joint ventures, and may in the future engage in similar joint ventures with third parties. For example, GMSL operates various joint ventures outside of the United States. In such circumstances, we may not be in a position to exercise significant decision-making authority if we do not own a substantial majority of the equity interests of such joint venture or otherwise have contractual rights entitling us to exercise such authority. These ventures may involve risks not present were a third party not involved, including the possibility that partners might become insolvent or fail to fund their share of required capital contributions. In addition, partners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Disputes between us and partners may result in litigation or arbitration that would increase our costs and expenses and divert a substantial amount of management's time and effort away from our businesses. We may also, in certain circumstances, be liable for the actions of our third-party partners which could have a material adverse effect on us.

We and our subsidiaries rely on trademark, copyright, trade secret, contractual restrictions and patent rights to protect our intellectual property and proprietary rights and if these rights are impaired, then our ability to generate revenue and our competitive position may be harmed.

If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business might be harmed. In addition, defending our intellectual property rights might entail significant expense. Any of our trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have some U.S. patents and pending U.S. patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which we operate. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property. In addition, some of our operating subsidiaries may use trademarks which have not been registered and may be more difficult to protect.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel.

We may issue additional shares of common stock or preferred stock, which could dilute the interests of our stockholders and present other risks.

Our certificate of incorporation, as amended (the "Certificate of Incorporation"), authorizes the issuance of up to 80,000,000 shares of common stock and 20,000,000 shares of preferred stock.

As of December 31, 2019, HC2 has 46,810,676 issued and 46,067,852 outstanding shares of its common stock, and 26,500 shares of preferred stock issued and outstanding inclusive of shares held by our Insurance Company which are eliminated in consolidation. However, the Certificate of Incorporation authorizes our board of directors (the "HC2 Board of Directors"), from time to time, subject to limitations prescribed by law and any consent rights granted to holders of outstanding shares of preferred stock, to issue additional shares of preferred stock having rights that are senior to those afforded to the holders of our common stock. We also have reserved shares of common stock for issuance pursuant to our broad-based equity incentive plans, upon exercise of stock options and other equity-based awards granted thereunder, and pursuant to other equity compensation arrangements.

We may issue shares of common stock or additional shares of preferred stock to raise additional capital, to complete a business combination or other acquisition, to capitalize new businesses or new or existing businesses of our operating subsidiaries or pursuant to other employee incentive plans, any of which could dilute the interests of our stockholders and present other risks.

The issuance of additional shares of common stock or preferred stock may, among other things:

- significantly dilute the equity interest and voting power of all other stockholders;
- subordinate the rights of holders of our outstanding common stock and/or preferred stock if preferred stock is issued with rights senior to those afforded to holders of our common stock and/or preferred stock;
- trigger an adjustment to the price at which all or a portion of our outstanding preferred stock converts into our common stock, if such stock is issued at a price lower than the then-applicable conversion price;
- entitle our existing holders of preferred stock to purchase a portion of such issuance to maintain their ownership percentage, subject to certain exceptions;
- call for us to make dividend or other payments not available to the holders of our common stock; and
- cause a change in control of our company if a substantial number of shares of our common stock are issued and/or if additional shares of preferred stock having substantial voting rights are issued.

The issuance of additional shares of common stock or preferred stock, or perceptions in the market that such issuances could occur, may also adversely affect the prevailing market price of our outstanding common stock and impair our ability to raise capital through the sale of additional equity securities.

Conversion of the Convertible Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Convertible Notes, or may otherwise depress the market price of our common stock.

The conversion of some or all of HC2's Convertible Notes will dilute the ownership interests of existing stockholders. Any sales in the public market of the shares of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our common stock could depress the market price of our common stock.

Future sales of substantial amounts of our common stock by holders of our preferred stock or other significant stockholders may adversely affect the market price of our common stock.

As of December 31, 2019, the holders of our outstanding preferred stock had certain rights to convert their Preferred Stock into approximately 2.1 million shares of our common stock, excluding shares owned by our Insurance Company, which are eliminated in consolidation.

Pursuant to a second amended and restated registration rights agreement, dated January 5, 2015, entered into in connection with the issuance of the preferred stock (the "Registration Rights Agreement"), we have granted registration rights to the purchasers of our preferred stock and certain of their transferees with respect to HC2 common stock held by them and common stock underlying the preferred stock. This Registration Rights Agreement allows these holders, subject to certain conditions, to require us to register the sale of their shares under the federal securities laws. Furthermore, the shares of our common stock held by these holders, as well as other significant stockholders, may be sold into the public market under Rule 144 of the Securities Act of 1933, as amended.

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

Price fluctuations in our common stock could result from general market and economic conditions and a variety of other factors.

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

- actual or anticipated fluctuations in our results of operations and the performance of our competitors;
- reaction of the market to our announcement of any future acquisitions or investments;
- the public’s reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in general economic conditions;
- outbreaks of pandemic diseases, including coronavirus, or fear of such outbreaks; and
- actions of our equity investors, including sales of our common stock by significant stockholders.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders.

Some provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These include provisions:

- authorizing a board of directors to issue preferred stock;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- creating a classified board of directors pursuant to which our directors are elected for staggered three-year terms;
- permitting the board of directors to increase the size of the board and to fill vacancies;
- requiring a super-majority vote of our stockholders to amend our bylaws and certain provisions of our certificate of incorporation; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law which limit the right of a corporation to engage in a business combination with a holder of 15 percent or more of the corporation’s outstanding voting securities, or certain affiliated persons. We do not currently have a stockholder rights plan in place.

Although we believe that these charter and bylaw provisions, and provisions of Delaware law, provide an opportunity for the board to assure that our stockholders realize full value for their investment, they could have the effect of delaying or preventing a change of control, even under circumstances that some stockholders may consider beneficial.

We are a "smaller reporting company" and we cannot be certain whether the reduced requirements applicable to smaller reporting companies will make our common stock less attractive to investors.

We are a "smaller reporting company" under the rules of the Securities Act and the Exchange Act. As a result, we may choose to take advantage of certain scaled disclosure requirements available specifically to smaller reporting companies. For example, we are not required to provide market risk disclosures, a contractual obligations table in our management's discussion and analysis of our financial condition and results of operations or selected financial data in our annual report. Additionally, as long as we continue to be a smaller reporting company, we may continue to use reduced compensation disclosure obligations. We will remain a smaller reporting company until the fiscal year following the determination that our public float is $250 million or more measured on the last business day of our second fiscal quarter, or our annual revenues are $100 million or more during the most recently completed fiscal year and our public float is $700 million or more measured on the last business day of our second fiscal quarter.

We cannot predict or otherwise determine if investors will find our securities less attractive as a result of our reliance on exemptions as a smaller reporting company. If some investors find our securities less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Actions of activist stockholders, including a proxy contest, could be disruptive and potentially costly and the possibility that activist stockholders may contest, or seek changes that conflict with, our strategic direction could cause uncertainty about the strategic direction of our business. Such actions may also trigger a change in control under certain agreements to which the Company is party, which could materially and adversely affect our business.

On February 13, 2020, we received notice from Percy Rockdale LLC and its affiliates (collectively, "Percy Rockdale") that it intends to nominate six individuals to stand for election as directors at our 2020 Annual Meeting of Stockholders. Subsequently, on February 18, 2020, Percy Rockdale issued a press release expressing certain concerns, including, among others, concerns with our long-term performance, strategy and management. Further, on March 13, 2020, Percy Rockdale filed a preliminary consent statement to solicit consents from stockholders for the removal of the Company's Board of Directors and election of the Percy Rockdale nominees.

While we have conducted outreach to Percy Rockdale, no substantive discussions have taken place with Percy Rockdale with respect to their interest in, or concerns regarding, the Company. While our Board of Directors and management team strive to maintain constructive, ongoing communications with all of our stockholders, including Percy Rockdale, and we welcome constructive input from all stockholders toward the shared goal of enhancing stockholder value, activist campaigns that contest, or seek to change, our strategic direction could have an adverse effect on us because: (i) responding to actions by activist stockholders can disrupt our operations, be costly (resulting in significant professional fees and proxy solicitation expenses) and time-consuming, and divert the attention of our Board of Directors and senior management from the pursuit of business strategies, which could materially and adversely affect our business, operating results and financial condition; (ii) perceived uncertainties as to our future direction may lead to the perception of a change in the direction of the business, instability or lack of continuity, which may be exploited by our competitors, cause concern to our stakeholders, including the current or potential customers of our operating segments, may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners; and (iii) these types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

In addition, under certain circumstances arising out of, or related to, certain actions of activist stockholders, including a proxy contest or consent solicitation, a change in a majority of our Board of Directors may trigger the requirement that we make an offer to redeem our shares of preferred stock at a price per share of preferred stock, equal to the greater of (i) the accrued value of the preferred stock, plus any accrued and unpaid dividends (to the extent not included in the accrued value of preferred stock), and (ii) the value that would be received if the share of preferred stock were converted into common stock, the occurrence of which could materially and adversely affect our business. In such instance, the Company cannot assure stockholders that it would be able to obtain the financing on commercially reasonable terms (if at all) to fund the offer to redeem all of the preferred stock. If any of these risks were to occur, our business, operating results and financial condition could be materially and adversely affected.

Risks Related to American Natural Energy

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, may impact our business.

Programs and regulations that have the effect of encouraging the use of CNG as a vehicle fuel are subject to change, and could expire or be repealed or amended as a result of changes in federal, state or local political, social or economic conditions. In particular, the AFTC provided a tax credit worth $0.50 per gasoline gallon equivalent of compressed natural gas, or diesel gallon equivalent of liquefied natural gas, which our subsidiary ANG claimed for a portion of its fuel sales each year. The AFTC tax credit has been used as an incentive for fleet operators to adopt natural gas vehicles, as it helped offset the incremental cost of a natural gas vehicle versus a similar gas- or diesel-powered version. The termination, modification or repeal of federal, state and local government tax credits, rebates, grants and similar programs and incentives that promote the use of CNG as a vehicle fuel and various government programs that make available grant funds for the purchase and construction of natural gas vehicles and stations may have an adverse impact on our business. As of the date of this filing, the U.S. Congress has passed an AFTC extension making the law effective through December 31, 2020.

Demand for natural gas vehicles may decline with advances in other alternative technologies and fuels, or with improvements in gasoline, diesel or hybrid engines.

The market for CNG vehicles may diminish with technological advances in gasoline, diesel or other alternative fuels that may be considered more cost-effective or otherwise more advantageous than CNG. Operators may perceive an inability to timely recover the additional costs of natural gas vehicles if CNG fuel is not offered at a lower price than gasoline and diesel. In addition, the adoption of CNG as a fuel for vehicle may be slowed or limited if the low prices and over-supply of gasoline and diesel continue or deteriorate further or if natural gas prices increases without corresponding increases in prices of gasoline and diesel. Advances or improvements in fuel efficiency also may offer more economical choice and deter consumers to convert their vehicles to natural gas. Growth in the use of electric commercial vehicles likewise may reduce demand for natural gas vehicles and renewable diesel, hydrogen and other alternative fuels may prove to be more economical alternatives to gasoline and diesel than natural gas, which could have an adverse impact on our business.

If there are advances in other alternative vehicle fuels or technologies, or if there are improvements in gasoline, diesel or hybrid engines, demand for natural gas vehicles may decline.

Technological advances in the production, delivery and use of gasoline, diesel or other alternative fuels that are, or are perceived to be, cleaner, more cost-effective, more readily available or otherwise more attractive than CNG, may slow or limit adoption of natural gas vehicles. For example, advances in gasoline and diesel engine technology, including efficiency improvements and further development of hybrid engines, may offer a cleaner, more cost-effective option and make fleet customers less likely to convert their vehicles to natural gas. Additionally, technological advances related to ethanol or biodiesel, which are used as an additive to, or substitute for gasoline and diesel fuel, may slow the need to diversify fuels and affect the growth of the natural gas vehicle fuel market.

Further, use of electric commercial vehicles, or the perception that such vehicles may soon be widely available and provide satisfactory performance at an acceptable cost, may reduce demand for natural gas vehicles. In addition, renewable diesel, hydrogen and other alternative fuels may prove to be cleaner, more cost-effective alternatives to gasoline and diesel than natural gas. Advances in technology that reduce demand for natural gas as a vehicle fuel or the failure of natural gas vehicle technology to advance at an equal pace could slow or curtail the growth of natural gas vehicle purchases or conversions, which would have an adverse effect on our business.

Increases, decreases and general volatility in oil, gasoline, diesel and natural gas prices could adversely affect our business.

In recent years, the prices of oil, gasoline, diesel and natural gas have been volatile, and this volatility may continue. Additionally, prices for crude oil in recent years have been low, due in part to over-production and increased supply without a corresponding increase in demand. Market adoption of CNG (which can be delivered in the form of CNG) as vehicle fuels could be slowed or limited if the low prices and over-supply of gasoline and diesel, today's most prevalent and conventional vehicle fuels, continue or worsen, or if the price of natural gas increases without equal and corresponding increases in prices of gasoline and diesel. Any of these circumstances could decrease the market's perception of a need for alternative vehicle fuels generally and could cause the success or perceived success of our industry and our business to materially suffer. In addition, low gasoline and diesel prices contribute to the differential between the cost of natural gas vehicles and gasoline or diesel-powered vehicles. Generally, natural gas vehicles cost more initially than gasoline or diesel powered vehicles, as the components needed for a vehicle to use natural gas add to the vehicle's base cost. Operators seek to recover the additional costs of acquiring or converting to natural gas vehicles over time through the lower costs of fueling natural gas vehicles; however, operators may perceive an inability to timely recover these additional costs if we do not offer CNG fuel at prices lower than gasoline and diesel. Our ability to offer our customers an attractive pricing advantage for CNG and maintain an acceptable margin on our sales becomes more difficult if prices of gasoline and diesel decrease or if prices of natural gas increase. These pricing conditions exacerbate the cost differential between natural gas vehicles and gasoline or diesel powered vehicles, which may lead operators to delay or refrain from purchasing or converting to natural gas vehicles at all. Any of these outcomes would decrease our potential customer base and harm our business prospects. Further, fluctuations in natural gas prices affect the cost to us of the natural gas commodity. High natural gas prices adversely impact our operating margins in cases where we cannot pass the increased costs through to our customers. Conversely, lower natural gas prices reduce our revenue in cases where the commodity cost is passed through to our customers. As a result, these fluctuations in natural gas prices can have a significant and adverse impact on our operating results.

Factors that can cause fluctuations in gasoline, diesel and natural gas prices include, among others, changes in supply and availability of crude oil and natural gas, government regulations and political conditions, inventory levels, consumer demand, price and availability of other alternative fuels, weather conditions, negative publicity surrounding drilling, production or importing techniques and methods for oil or natural gas, economic conditions and the price of foreign imports.

With respect to natural gas supply and use as a vehicle fuel, there have been recent efforts to place new regulatory requirements on the production of natural gas by hydraulic fracturing of shale gas reservoirs and other means and on transporting, dispensing and using natural gas. Hydraulic fracturing and horizontal drilling techniques have resulted in a substantial increase in the proven natural gas reserves in the United States. Any changes in regulations that make it more expensive or unprofitable to produce natural gas through these techniques or others, as well as any changes to the regulations relating to transporting, dispensing or using natural gas, could lead to increased natural gas prices.

If pricing conditions worsen, or if all or some combination of factors causing further volatility in natural gas, oil and diesel prices were to occur, our business and our industry would be materially harmed.

Automobile and engine manufacturers currently produce few originally manufactured natural gas vehicles and engines for the markets in which ANG participates, which may adversely impact the adoption of CNG as a vehicle fuel.

Limited availability of natural gas vehicles and engine sizes of such vehicles restricts their wide scale introduction and narrows ANG's potential customer base. This, in turn, has a limiting effect on the results of operations. Due to the limited supply of natural gas vehicles, ANG's ability to promote certain of the services contemplated by ANG's business plan may be restricted, even if there is demand.

ANG faces intense competition from oil and gas companies, retail fuel providers, industrial gas companies, natural gas utilities, and other organizations that have far greater resources and brand awareness than ANG has*.*

A significant number of established businesses, including oil and gas companies, natural gas utilities, industrial gas companies, station owners and other organizations have entered, or are planning to enter, the natural gas fuels market. Many of these current and potential competitors have substantially greater financial, marketing, research and other resources than ANG. Natural gas utilities continue to own and operate natural gas fueling stations. Utilities in Michigan, Illinois, New Jersey, North Carolina and Georgia have also recently made efforts to invest in the natural gas vehicle fuel space. ANG expects competition to intensify in the near term in the market for natural gas vehicle fuel as the use of natural gas vehicles and the demand for natural gas vehicle fuel increases. Increased competition will lead to amplified pricing pressure, reduced operating margins and fewer expansion opportunities. ANG's failure to compete successfully would adversely affect ANG's business and financial results, even if ANG is successful in implementing its business plan.

The infrastructure to support gasoline and diesel consumption is vastly more developed than the infrastructure for natural gas vehicle fuels.

Gasoline and diesel fueling stations and service infrastructure are widely available in the United States. For natural gas vehicle fuels to achieve more widespread use in the United States, they will require a promotional and educational effort and the development and supply of more natural gas vehicles and fueling stations. This will require significant continued effort by us, as well as government and clean air groups. In addition, ANG may face resistance from oil companies and other vehicle fuel companies.

Risks Related to the Insurance Segment

Our acquisitions of the Insurance Companies are subject to certain post-closing adjustments.

In December 2015, pursuant to the SPA between us, Great American Financial Resources, Inc. ("GAFRI") and Continental General Corp. ("CGC," and together with Great American, the "Seller Parties"), we purchased all of the issued and outstanding shares of common stock of UTA and CGI, as well as all assets owned by the Seller Parties or their affiliates that are used exclusively or primarily in the business of the Insurance Companies, subject to certain exceptions. On December 31, 2016, UTA merged into and with CGI, with CGI being the survivor ("Merger").

Pursuant to the purchase agreement, the Company also agreed to pay to the Seller Parties, on an annual basis with respect to the years 2015 through 2019, the amount, if any, by which the Insurance Companies' cash flow testing and premium deficiency reserves decrease from the amount of such reserves as of December 31, 2014, up to $13.0 million. The balance is calculated based on the annual fluctuation of the statutory cash flow testing and premium deficiency reserves following each of the Insurance Companies' filings with its domiciliary insurance regulator of its annual statutory statements for each calendar year ending December 31, 2015 through and including December 31, 2019. The Company did not set up a contingent liability at acquisition primarily due to the following factors: (i) reduced confidence that treasury rates will increase to historical averages over the near term; (ii) uncertainty around future operating expenses historically performed by the Seller Parties; and (iii) the increase in the premium deficiency reserve as reported at December 31, 2015 of approximately $8.0 million. Because the balance is cumulative over the period at issue, a decrease of approximately $8.0 million is required before any obligation existed to the Seller Parties under the earn-out).

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

As a condition to the approval of the Acquisition by the South Carolina Department of Insurance, CGI agreed to redomesticate KIC from South Carolina to Texas and simultaneously merge KIC with and into CGI, with CGI surviving (the "Merger"), and to maintain a risk-based capital ratio of no less than 450 percent for two years following the closing. Similarly, CGI agreed with the Texas Commissioner of Insurance that it will maintain a total adjusted capital to authorized control risk-based capital level of no less than 450 percent for two years from the date of the Merger and of no less than 400 percent for the subsequent three years.

As a result of the merger of KIC with and into CGI, the Insurance Company’s cash flow testing and premium deficiency reserve increased to $537.9 million which exceeded the December 31, 2014 amount of such reserve by $462.5 million. Because the balance is cumulative over the period at issue a decrease of approximately $462.5 million is required before any obligation existed to the Seller Parties under the earn-out.

If our Insurance segment is unable to retain, attract and motivate qualified employees, its results of operations and financial condition may be adversely impacted and it may incur additional costs to recruit replacement and additional personnel.

Our Insurance segment is highly dependent on its senior management team and other key personnel for the operation and development of its business. Our Insurance segment faces intense competition in retaining and attracting key employees including actuarial, finance, legal, risk, compliance and other professionals.

CGI comprises the core of our insurance business segment. Our Insurance segment will endeavor to retain key personnel we believe are necessary for the success of the business. As we do not currently have substantial insurance company holdings, we also expect that our Insurance segment will add headcount as we continue to fill out the platform and grow the Insurance segment.

Any failure to attract and retain key members of our Insurance segment’s management team or other key personnel going forward could have a material adverse effect on our Insurance segment’s business, financial condition and results of operations.

The amount of statutory capital our Insurance segment has and the amount of statutory capital that it must hold to maintain its financial strength and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of our Insurance segment’s control.

Our Insurance segment is subject to regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") formulas for life and health insurance companies. The RBC formula for life and health insurance companies establishes capital requirements relating to insurance, business, asset, interest rate, and certain other risks.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the following: the amount of statutory income or losses generated by our Insurance segment (which are sensitive to equity market and credit market conditions), the amount of additional capital our Insurance segment must hold to support business growth, changes in reserve requirements applicable to our Insurance segment, our Insurance segment’s ability to secure capital market solutions to provide reserve relief, changes in equity market levels, the value of certain fixed-income and equity securities in its investment portfolio, the credit ratings of investments held in its portfolio, changes in interest rates, credit market volatility, changes in consumer behavior, as well as changes to the National Association of Insurance Commissioners’ ("NAIC") RBC formula. Many of these factors are outside of our Insurance segment’s control. The financial strength of our Insurance segment is significantly influenced by its statutory surplus amounts and capital adequacy ratios.

As a condition to the approval of the Acquisition by the South Carolina Department of Insurance, CGI agreed to redomesticate KIC from South Carolina to Texas and simultaneously merge KIC with and into CGI, with CGI surviving (the "Merger"), and to maintain a risk-based capital ratio of no less than 450 percent for two years following the closing. Similarly, CGI agreed with the Texas Commissioner of Insurance that it will maintain a total adjusted capital to authorized control risk-based capital level of no less than 450 percent for two years from the date of the Merger and of no less than 400 percent for the subsequent three years.

Our Insurance segment's results and financial condition may be negatively affected should actual performance differ from management's assumptions and estimates.

Our Insurance segment makes certain assumptions and estimates regarding mortality, morbidity (i.e., frequency and severity of claims, including claim termination rates and benefit utilization rates), health care experience (including type of care and cost of care), persistency (i.e., the probability that a policy or contract will remain in-force from one period to the next), future premium increases, expenses, interest rates, tax liability, business mix, frequency of claims, contingent liabilities, investment performance and other factors related to its business and anticipated results. The long-term profitability of our Insurance segment's insurance products depends upon how our Insurance segment's actual experience compares with its pricing and valuation assumptions and estimates. For example, if morbidity rates are higher than underlying pricing assumptions, our Insurance segment could be required to make greater payments under its long-term care insurance policies than currently projected, and such amounts could be significant. Likewise, if mortality rates are lower than our Insurance segment's pricing assumptions, our Insurance segment could be required to make greater payments and thus establish additional reserves under both its long-term care insurance policies and annuity contracts and such amounts could be significant. Conversely, if mortality rates are higher than our Insurance segment's pricing and valuation assumptions, our Insurance segment could be required to make greater payments under its life insurance policies than currently projected.

The above-described assumptions and estimates incorporate assumptions about many factors, none of which can be predicted with certainty. Our Insurance segment's actual experiences, as well as changes in estimates, are used to prepare our Insurance segment's consolidated statements of operations. To the extent our Insurance segment's actual experience and changes in estimates differ from original estimates, our Insurance segment's business, operations and financial condition may be materially adversely affected.

The calculations our Insurance segment uses to estimate various components of its balance sheet and consolidated statements of operations are necessarily complex and involve analyzing and interpreting large quantities of data. Our Insurance segment currently employs various techniques for such calculations including engaging third-party studies and from time to time will develop and implement more sophisticated administrative systems and procedures capable of facilitating the calculation of more precise estimates.

However, assumptions and estimates involve judgment, and by their nature are imprecise and subject to changes and revisions over time. Accordingly, our Insurance segment's results may be adversely affected from time to time, by actual results differing from assumptions, by changes in estimates, and by changes resulting from implementing more sophisticated administrative systems and procedures that facilitate the calculation of more precise estimates.

If our Insurance segment's reserves for future policy claims are inadequate as a result of deviations from management's assumptions and estimates or other reasons, our Insurance segment may be required to increase reserves, which could have a material adverse effect on its results of operations and financial condition.

Our Insurance segment calculates and maintains reserves for estimated future payments of claims to policyholders and contract holders in accordance with U.S. GAAP and statutory accounting practices. These reserves are released as those future obligations are paid, experience changes or policies lapse. The reserves reflect estimates and actuarial assumptions with regard to future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Our Insurance segment's future financial results depend significantly on the extent to which actual future experience is consistent with the assumptions and methodologies used in pricing our Insurance segment's insurance products and calculating reserves. Small changes in assumptions or small deviations of actual experience from assumptions can have material impacts on reserves, results of operations and financial condition.

Because these factors are not known in advance and have the potential to change over time, they are difficult to accurately predict and inherently uncertain, which means that our Insurance segment cannot determine with precision the ultimate amounts it will pay for actual claims or the timing of those payments. In addition, our Insurance segment includes assumptions for anticipated (but not yet filed) future premium rate increases in its determination of loss recognition testing of long-term care insurance reserves under U.S. GAAP and asset adequacy testing of statutory long-term care insurance reserves. Our Insurance segment may not be able to realize these anticipated results in the future as a result of its inability to obtain required regulatory approvals or other factors. In this event, our Insurance segment would have to increase its long-term care insurance reserves by amounts that could be material. Moreover, our Insurance segment may not be able to mitigate the impact of unexpected adverse experience by increasing premiums and/or other charges to policyholders (when it has the right to do so) or alternatively by reducing benefits.

The risk that our Insurance segment's claims experience may differ significantly from its pricing assumptions is significant for its long-term care insurance products. Long-term care insurance policies provide for long-duration coverage and, therefore, actual claims experience will emerge over many years after pricing and locked-in valuation assumptions have been established. For example, changes in the economy, socio-demographics, behavioral trends (e.g., location of care and level of benefit use) and medical advances, among other factors, may have a material adverse impact on future loss trends. Moreover, long-term care insurance does not have as extensive of a claims experience history as life insurance, and as a result, our Insurance segment's ability to forecast future claim costs for long-term care insurance is more limited than for life insurance.

For long-duration contracts (such as long-term care policies), loss recognition occurs when, based on current expectations as of the measurement date, the existing contract liabilities plus the present value of future premiums (including reasonably expected rate increases) are not expected to cover the present value of future claims payments, related settlement and maintenance costs, and unamortized acquisition costs. Our Insurance segment regularly reviews its reserves and associated assumptions as part of its ongoing assessment of business performance and risks. If our Insurance segment concludes that its reserves are insufficient to cover actual or expected policy and contract benefits and claim payments as a result of changes in experience, assumptions or otherwise, our Insurance segment would be required to increase its reserves and incur charges in the period in which such determination is made. The amounts of such increases may be significant and thus could materially adversely affect our Insurance segment's results of operations and financial condition and may require additional capital in our Insurance segment's businesses.

Insurers that have issued or reinsured long-term care insurance policies have recognized, and may recognize in the future, substantial losses in order to strengthen reserves for liabilities to policyholders in respect of such policies. Such losses may be due to the effect of changes in assumptions of future investment yields, changes in claims, expense, persistency assumptions or other factors. Our Insurance segment is subject to similar risks that adverse changes in any of its reserve assumptions in future periods could result in additional loss recognition in respect of its business.

Our Insurance segment's inability to increase premiums on in-force long-term care insurance policies by sufficient amounts or in a timely manner may adversely affect our Insurance segment's results of operations and financial condition.

The success of our Insurance segment's strategy for its run-off long-term care insurance business assumes our Insurance segment's ability to obtain significant price increases, as warranted and actuarially justified based on its experience on its in-force block of long-term care insurance policies. The adequacy of our Insurance segment's current long-term care insurance reserves also depends significantly on this assumption and our Insurance segment's ability to successfully execute its in-force management plan through increased premiums as anticipated.

Although the terms of our Insurance segment's long-term care insurance policies permit our Insurance segment to increase premiums during the premium-paying period, these increases generally require regulatory approval, which often have long lead times to obtain and may not be obtained in all relevant jurisdictions or for the full amounts requested. In addition, some states are considering adopting long-term care insurance rate increase legislation, which would further limit increases in long-term care insurance premium rates, beyond the rate stability legislation previously adopted in certain states.

Such long-term care insurance rate increase legislation would adversely impact our Insurance segment's ability to achieve anticipated rate increases. Our Insurance segment can neither predict how policyholders, competitors and regulators may react to any rate increases, nor whether regulators will approve regulated rate increases. If our Insurance segment is not able to increase rates to the extent it currently anticipates, our Insurance segment may be required to establish additional reserves and make greater payments under long-term care insurance policies than it currently projects.

Our Insurance segment is highly regulated and subject to numerous legal restrictions and regulations.

Our Insurance segment conducts its business throughout the United States, excluding New York State. Our Insurance segment is subject to government regulation in each of the states in which it conducts business. Such regulation is vested in state agencies having broad administrative, and in some instances discretionary, authority with respect to many aspects of our Insurance segment's business, which may include, among other things, premium rates and increases thereto, privacy, claims denial practices, policy forms, reinsurance reserve requirements, acquisitions, mergers, and capital adequacy, and is concerned primarily with the protection of policyholders and other customers as opposed to other stakeholders. At any given time, a number of financial and/or market conduct examinations of our Insurance segment may be ongoing. From time to time, regulators raise issues during examinations or audits of our Insurance segment that could, if determined adversely, have a material impact on our Insurance segment.

Under insurance guaranty fund laws in most states, insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. Our Insurance segment cannot predict the amount or timing of any such future assessments.

Although our Insurance segment's business is subject to regulation in each state in which it conducts business, in many instances the state regulatory models emanate from the NAIC. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer and at the expense of the insurer and, thus, could have a material adverse effect on our Insurance segment's business, operations and financial condition.

Our Insurance segment is also subject to the risk that compliance with any particular regulator’s interpretation of a legal or accounting issue may not result in compliance with another regulator’s interpretation of the same issue, particularly when compliance is judged in hindsight. There is further risk that any particular regulator’s interpretation of a legal or accounting issue may change over time to our Insurance segment’s detriment, or that changes to the overall legal or market environment, even absent any change of interpretation by a particular regulator, may cause our Insurance segment to change its views regarding the actions it should take from a legal risk management perspective, which could necessitate changes to our Insurance segment’s practices that may, in some cases, limit its ability to grow and improve profitability.

Some of the NAIC pronouncements, particularly as they affect accounting issues, take effect automatically in the various states without affirmative action by the states. Statutes, regulations, and interpretations may be applied with retroactive impact, particularly in areas such as accounting and reserve requirements.

At the federal level, bills are routinely introduced in both chambers of the U.S. Congress which could affect life insurers. In the past, Congress has considered legislation that would impact insurance companies in numerous ways, such as providing for an optional federal charter for insurance companies or a federal presence in insurance regulation, pre-empting state law in certain respects regarding the regulation of reinsurance, increasing federal oversight in areas such as consumer protection and solvency regulation, and other matters.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, Dodd-Frank established the FIO within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, which, among other things, urged the states to modernize and promote greater uniformity in insurance regulation. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. We cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, financial condition or results of operations.

Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies.

Our Insurance segment cannot predict whether, or in what form, reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect our Insurance segment or whether these effects will be material.

Other types of regulation that could affect our Insurance segment include insurance company investment laws and regulations, state statutory accounting practices, antitrust laws, minimum solvency requirements, federal privacy laws, insurable interest laws, federal anti-money laundering and anti-terrorism laws. Our Insurance segment cannot predict what form any future changes in these or other areas of regulation affecting the insurance industry might take or what effect, if any, such proposals might have on our Insurance segment if enacted into law.

Our Insurance segment’s reinsurers could fail to meet assumed obligations or be subject to adverse developments that could materially adversely affect our Insurance segment’s business, financial condition and results of operations.

Our Insurance segment cedes material amounts of insurance and transfers related assets and certain liabilities to other insurance companies through reinsurance. However, notwithstanding the transfer of related assets and certain liabilities, our Insurance segment remains liable with respect to ceded insurance should any reinsurer fail to meet the obligations it has assumed. Accordingly, our Insurance segment bears credit risk with respect to its reinsurers. Our Insurance segment currently cedes material reinsurance obligations to Loyal American Life Insurance Company ("Loyal") (rated A by A.M. Best), Hannover Life Reassurance Company ("Hannover") (rated A+ by A.M. Best), GALIC (rated A by A.M. Best), Munich American Reassurance Company ("Munich") (rated A+), and Manhattan Life Assurance Company of America ("Manhattan") (rated B+). The failure, insolvency, inability or unwillingness of a reinsurer, including Loyal, Hannover, GALIC, Munich, and Manhattan to pay under the terms of its reinsurance agreement with our Insurance segment could materially adversely affect our Insurance segment’s business, financial condition and results of operations.

Reinsurers are currently facing many challenges regarding illiquid credit or capital markets, investment downgrades, rating agency downgrades, deterioration of general economic conditions and other factors negatively impacting the financial services industry generally. If such events cause a reinsurer to fail to meet its obligations, our Insurance segment’s business, financial condition and results of operations could be materially adversely affected.

Our Insurance segment's financial condition or results of operations could be adversely impacted if its assumptions regarding the fair value and future performance of its investments differ from actual experience.

Our Insurance segment makes assumptions regarding the fair value and expected future performance of its investments. For example, our Insurance segment expects that its investments in residential and commercial mortgage-backed securities will continue to perform in accordance with their contractual terms, based on assumptions that our Insurance segment believes are industry standard and those that a reasonable market participant would use in determining the current fair value and the performance of the underlying assets. It is possible that the underlying collateral of these investments will perform more poorly than current market expectations and that such reduced performance may lead to adverse changes in the cash flows on our Insurance segment's holdings of these types of securities. This could lead to potential future other-than-temporary impairments within our Insurance segment's portfolio of mortgage-backed and asset-backed securities.

In addition, expectations that our Insurance segment's investments in corporate securities and/or debt obligations will continue to perform in accordance with their contractual terms are based on evidence gathered through its normal credit surveillance process. It is possible that issuers of the corporate securities in which our Insurance segment has invested will perform more poorly than current expectations. Such events may lead our Insurance segment to recognize potential future other-than-temporary impairments within its portfolio of corporate securities and may also have an adverse effect on its liquidity and ability to meet its obligations. It is also possible that such unanticipated events would lead our Insurance segment to dispose of certain of those holdings and recognize the effects of any market movements in its financial statements. Furthermore, actual values may differ from our Insurance segment's assumptions. Such events could result in a material change in the value of our Insurance segment's investments, business, operations and financial condition.

Interest rate fluctuations and withdrawal demands in excess of assumptions could negatively affect our Insurance segment's business, financial condition and results of operations.

Our Insurance segment's business is sensitive to interest rate fluctuations, volatility and the low interest rate environment. For the past several years interest rates have remained at historically low levels. In order to meet policy and contractual obligations, our Insurance segment must earn a sufficient return on invested assets. A prolonged period of historically low rates or significant changes in interest rates could expose our Insurance segment to the risk of not achieving sufficient return on invested assets by not achieving anticipated interest earnings, or of not earning anticipated spreads between the interest rate earned on investments and the credited interest rates paid on outstanding policies and contracts.

Additionally, a prolonged period of low interest rates may lengthen liability maturity, thus increasing the need for a re-investment of assets at yields that are below the amounts required to support guarantee features of outstanding contracts.

Both rising and declining interest rates can negatively affect our Insurance segment's interest earnings and spread income (the difference between the returns our Insurance segment earns on its investments and the amounts that it must credit to policyholders and contract holders). While our Insurance segment develops and maintains asset liability management programs and procedures designed to mitigate the effect on interest earnings and spread income in rising or falling interest rate environments, no assurance can be given that changes in interest rates will not materially adversely affect its business, financial condition and results of operations.

An extended period of declining interest rates or a prolonged period of low interest rates may cause our Insurance segment to change its long-term view of the interest rates that our Insurance segment can earn on its investments. Such a change would cause our Insurance segment to change the long-term interest rate that it assumes in its calculation of insurance assets and liabilities under U.S. GAAP. This revision would result in increased reserves and other unfavorable consequences. In addition, while the amount of statutory reserves is not directly affected by changes in interest rates, additional statutory reserves may be required as the result of an asset adequacy analysis, which is altered by rising or falling interest rates and widening credit spreads.

Some of our products, principally traditional whole life insurance and deferred annuities expose us to the risk that changes in interest rates will reduce our "spread," or the difference between the amounts we are required to pay under our contracts to policyholders and the rate of return we are able to earn on our investments intended to support obligations under the contracts. Spread is an integral component of our Insurance Company's net income.

As interest rates decrease or remain at low levels, we may be forced to reinvest proceeds from investments that have matured, prepaid, been sold, or called at lower yields, reducing our investment margin. Our fixed income bond portfolio is exposed to interest rate risk as a significant portion of the portfolio is callable. Lowering interest crediting rates can help offset decreases in investment margins on some of our products.

Our Insurance segment is subject to financial disintermediation risks in rising interest rate environments.

Our Insurance segment offers certain products that allow policyholders to withdraw their funds under defined circumstances. In order to meet such funding obligations, our Insurance segment manages its liabilities and configures its investment portfolios so as to provide and maintain sufficient liquidity to support expected withdrawal demands and contract benefits and maturities. However, in order to provide necessary long-term returns, a certain portion of its assets are relatively illiquid. There can be no assurance that actual withdrawal demands will match its estimated withdrawal demands.

As interest rates increase, our Insurance segment is exposed to the risk of financial disintermediation through a potential increase in the number of withdrawals. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring our Insurance segment to liquidate assets in an unrealized loss position. If our Insurance segment experiences unexpected withdrawal activity, whether as a result of financial strength downgrades or otherwise, it could exhaust its liquid assets and be forced to liquidate other assets, possibly at a loss or on other unfavorable terms, which could have a material adverse effect on our Insurance segment’s business, financial condition and results of operations.

Additionally, our Insurance segment may experience spread compression, and a loss of anticipated earnings, if credited interest rates are increased on renewing contracts in an effort to decrease or manage withdrawal activity.

Our Insurance segment is subject to cyber-attacks and other privacy or data security incidents. If we are unable to prevent or contain the effects of any such attacks, we may suffer exposure to substantial liability, reputational harm, loss of revenue or other damages.

Our business depends on our clients’ and customers’ willingness to entrust us with their sensitive personal information. Our Insurance segment and certain of our other businesses retain confidential information in their computer systems, and rely on commercial technologies to maintain the security of those systems. Nevertheless, computer systems may be vulnerable to physical break-ins, computer viruses or malware, programming errors, attacks by third parties or similar disruptive problems. We may be the target of computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. Despite the implementation of network security measures, our servers could be subject to physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems. Anyone who is able to circumvent these security measures and penetrate our and our subsidiaries’ computer systems could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable customer information and proprietary business information. In addition, an increasing number of states require that customers be notified of unauthorized access, use, or disclosure of their information. Any compromise of the security of our Insurance segment’s computer systems that results in inappropriate access, use, or disclosure of personally identifiable customer information could damage our Insurance segment’s reputation in the marketplace, subject our Insurance segment to significant civil and criminal liability, and require our Insurance segment to incur significant technical, legal, and other expenses.

There have been large scale cyber-attacks and other cyber-security breaches within the insurance industry. As we increase the amount of personal information that we store and share digitally, our exposure to data security and related cyber-security risks increases, including the risk of undetected attacks, damage, loss or unauthorized access or misappropriation of proprietary or personal information, and the cost of attempting to protect against these risks also increases. In addition, while we have certain standards for all vendors that provide us services, our vendors, and in turn, their own service providers, may become subject to the same type of security breaches. Finally, our offices may be vulnerable to security incidents or security attacks, acts of vandalism or theft, misplaced or lost data, human error or similar events that could negatively affect our systems and our customers’ and clients’ data.

The costs to eliminate or address security threats and vulnerabilities before or after a cyber-incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service and loss of existing or potential customers.

In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal information or proprietary information or confidential information about us, our customers or other third-parties could expose our customers’ private information and our customers to the risk of identity theft, any of which could adversely affect our business, results of operations, financial condition or liquidity.

Our Insurance segment’s investments are subject to market, credit, legal and regulatory risks that could be heightened during periods of extreme volatility or disruption in financial and credit markets.

Our Insurance segment’s invested assets are subject to risks of credit defaults and changes in market values. Periods of extreme volatility or disruption in the financial and credit markets could increase these risks.

Stressed conditions, volatility and disruptions in financial asset classes or various markets, including global capital markets, can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect our financial condition, as well as the volume, profitability and results of our business operations, either directly or by virtue of their impact on the business and economic environment generally and on general levels of economic activity, employment and customer behavior specifically. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our financial condition (including our liquidity and capital levels) as a result of mismatched impacts on the value of our assets and our liabilities.

The value of our Insurance segment’s mortgage-backed investments depends in part on the financial condition of the borrowers and tenants for the properties underlying those investments, as well as general and specific circumstances affecting the overall default rate.

Significant continued financial and credit market volatility, changes in interest rates, credit spreads, credit defaults, real estate values, market illiquidity, declines in equity prices, acts of corporate malfeasance, ratings downgrades of the issuers or guarantors of these investments, and declines in general economic conditions, either alone or in combination, could have a material adverse impact on our Insurance segment's results of operations, financial condition, or cash flows through realized losses, other-than-temporary impairments, changes in unrealized loss positions, and increased demands on capital. In addition, market volatility can make it difficult for our Insurance segment to value certain of its assets, especially if trading becomes less frequent.

Also, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant capital and/or operating losses due to, among other reasons, losses incurred in our general account and as a result of the impact on us of guarantees, capital maintenance obligations and/or collateral requirements associated with our affiliated reinsurers and other similar arrangements. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility, which may also increase the cost.

Valuations may include assumptions or estimates that may have significant period-to-period changes that could have an adverse impact on our Insurance segment's results of operations or financial condition. Moreover, difficult conditions in the global capital markets and the economy may continue to raise the possibility of legislative, judicial, regulatory and other governmental actions.

Credit spreads could adversely affect our Insurance segment's investment portfolio and financial position.

Our exposure to credit spreads primarily relates to market price volatility and cash flow variability associated with changes in such spreads. Market price volatility can make it difficult to value certain of our securities if trading becomes less frequent. In such case, valuations may include assumptions or estimates that may have significant period-to-period changes, which could have a material adverse effect on our results of operations or financial condition. If there is a resumption of significant volatility in the markets, it could cause changes in credit spreads and defaults and a lack of pricing transparency which, individually or in tandem, could have a material adverse effect on our results of operations, financial condition, liquidity or cash flows.

Significant volatility or disruption in credit markets could have a material adverse effect on our Insurance segment's investment portfolio, and, as a result, our Insurance segment's business, financial condition and results of operations. Changes in interest rates and credit spreads could cause market price and cash flow variability in the fixed income instruments in our Insurance segment's investment portfolio. Significant volatility and lack of liquidity in the credit markets could cause issuers of the fixed-income securities in our Insurance segment's investment portfolio to default on either principal or interest payments on these securities.

Concentration of our Insurance segment's investment portfolio in any particular economic sector or asset type may increase our Insurance segment's exposure to risk if that area of concentration experiences events that cause underperformance.

Our Insurance segment's investment portfolio may be concentrated in areas, such as particular industries, groups of related industries, asset classes or geographic areas that experience events that cause underperformance of the investments. While our Insurance segment seeks to mitigate this risk through portfolio diversification, if our Insurance segment's investment portfolio is concentrated in any areas that experience negative events or developments, the impact of those negative events may have a disproportionate effect on our Insurance segment's portfolio, which may have an adverse effect on the performance of our Insurance segment's investment portfolio.

Our Insurance segment must continue to evaluate the need for a valuation allowance against its deferred tax assets.

Deferred tax assets refer to assets that are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, in essence, represent future savings of taxes that would otherwise be paid in cash. The realization of the deferred tax assets is dependent upon the generation of sufficient future taxable income, including capital gains. If it is determined that the deferred tax assets cannot be realized, a deferred tax valuation allowance must be established, with a corresponding charge to net income.

During 2019. the Insurance segment generated sufficient current year income to release the valuation allowance against its beginning of year deferred tax assets. In addition, the Insurance segment came out of a cumulative loss position and determined that it can rely upon projections of future income to support the realization of its deferred tax assets. The ultimate realizability of the deferred tax assets depends on the Insurance segment's ability to generate sufficient future taxable income and needs to be assessed at each balance sheet date.

Financial services companies are frequently the targets of litigation, including class action litigation, which could result in substantial judgments.

Our Insurance segment operates in an industry in which various practices are subject to scrutiny and potential litigation, including class actions. Civil jury verdicts have been returned against insurers and other financial services companies involving sales, underwriting practices, product design, product disclosure, administration, denial or delay of benefits, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or other persons with whom the insurer does business, payment of sales or other contingent commissions, and other matters. For example, a class action lawsuit was filed against CGI in November 2016 alleging breach of contract, tortious interference with contract and unjust enrichment in relation to the introduction of new products to existing policyholders and the replacement of in-force policies. Such lawsuits can result in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive or non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages, which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very limited appellate review. In addition, in some class action and other lawsuits, financial services companies have made material settlement payments.

Companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny.

The financial services industry, including insurance companies, is sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some financial services companies have been the subject of law enforcement or other actions resulting from such investigations. Resulting publicity about one company may generate inquiries into or litigation against other financial services companies, even those who do not engage in the business lines or practices at issue in the original action. It is impossible to predict the outcome of such investigations or actions, whether they will expand into other areas not yet contemplated, whether they will result in changes in insurance regulation, whether activities currently thought to be lawful will be characterized as unlawful, or the impact, if any, of such scrutiny on the financial services and insurance industry or our Insurance segment.

Our Insurance segment is dependent on the performance of others under the Administrative Services Agreement and on an ongoing basis as part of its business.

Our Insurance segment is dependent on the performance of third parties as part of its business. In the near term, our Insurance segment will depend on the Seller Parties of the Insurance Companies, under the Administrative Services Agreement, for the performance of certain administrative services with respect to our Insurance segment's life insurance and annuity business.

In addition, various other third parties provide services to our Insurance segment or are otherwise involved in our Insurance segment's business operations, on an ongoing basis. For example, our Insurance segment's operations are dependent on various technologies, some of which are provided and/or maintained by certain key outsourcing partners and other parties.

Any failure by any of the Seller Parties or such other third-party providers to provide such services could have a material adverse effect on our Insurance segment's business or financial results.

Our Insurance segment also depends on other parties that may default on their obligations to our Insurance segment due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, or other reasons. Such defaults could have a material adverse effect on our Insurance segment's financial condition and results of operations. In addition, certain of these other parties may act, or be deemed to act, on behalf of our Insurance segment or represent our Insurance segment in various capacities. Consequently, our Insurance segment may be held responsible for obligations that arise from the acts or omissions of these other parties.

If our Insurance segment does not maintain an effective outsourcing strategy or third-party providers do not perform as contracted, our Insurance segment may experience operational difficulties, increased costs and a loss of business that could have a material adverse effect on its results of operations. In addition, our Insurance segment's reliance on third-party service providers that it does not control does not relieve our Insurance segment of its responsibilities and requirements. Any failure or negligence by such third-party service providers in carrying out their contractual duties may result in our Insurance segment becoming liable to parties who are harmed and may result in litigation. Any litigation relating to such matters could be costly, expensive and time-consuming, and the outcome of any such litigation may be uncertain. Moreover, any adverse publicity arising from such litigation, even if the litigation is not successful, could adversely affect the reputation and sales of our Insurance segment and its products.

Our Insurance segment's ability to grow depends in large part upon the continued availability of capital.

Our Insurance segment's long-term strategic capital requirements will depend on many factors, including acquisition activity, our Insurance segment's ability to manage the run-off of in-force insurance business, our Insurance segment's accumulated statutory earnings and the relationship between our Insurance segment's statutory capital and surplus and various elements of required capital. To support its capital requirements and/or finance future acquisitions, our Insurance segment may need to increase or maintain statutory capital and surplus through financings, which could include debt or equity financing arrangements and/or other surplus relief transactions. Adverse market conditions have affected and continue to affect the availability and cost of capital from external sources. We are not obligated to, and may choose not to or be unable to, provide financing or make any future capital contribution to CGI. Consequently, financing, if available at all, may be available only on terms that are not favorable to our Insurance segment.

New accounting rules, changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact our Insurance segment.

Our Insurance segment is required to comply with U.S. GAAP. A number of organizations are instrumental in the development and interpretation of U.S. GAAP such as the SEC, FASB, and the American Institute of Certified Public Accountants. U.S. GAAP is subject to constant review by these organizations and others in an effort to address emerging accounting rules and issue interpretative accounting guidance on a continual basis. Our Insurance segment can give no assurance that future changes to U.S. GAAP will not have a negative impact on our Insurance segment.

The application of U.S. GAAP to insurance businesses and investment portfolios, like our Insurance segment's, involves a significant level of complexity and requires a number of factors and judgments. U.S. GAAP includes the requirement to carry certain investments and insurance liabilities at fair value. These fair values are sensitive to various factors including, but not limited to, interest rate movements, credit spreads, and various other factors. Because of this, changes in these fair values may cause increased levels of volatility in our Insurance segment's financial statements.

In addition, our Insurance segment is required to comply with statutory accounting principles ("SAP"). SAP and various components of SAP (such as actuarial reserving methodology) are subject to ongoing review by the NAIC and its task forces and committees as well as state insurance departments in an effort to address emerging issues and otherwise improve financial reporting. Various proposals are currently or have previously been pending before committees and task forces of the NAIC, some of which, if enacted, would negatively affect our Insurance segment. The NAIC is also currently working to reform state regulation in various areas, including comprehensive reforms relating to life insurance reserves and the accounting for such reserves.

Our Insurance segment cannot predict whether or in what form reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect our Insurance segment. In addition, the NAIC Accounting Practices and Procedures manual provides that state insurance departments may permit insurance companies domiciled therein to depart from SAP by granting them permitted accounting practices. Our Insurance segment cannot predict whether or when the insurance departments of the states of domicile of its competitors may permit them to utilize advantageous accounting practices that depart from SAP, the use of which is not permitted by the insurance department of CGI's state of domicile (Texas). With respect to regulations and guidelines, states sometimes defer to the interpretation of the insurance department of the state of domicile. Neither the action of the domiciliary state nor action of the NAIC is binding on a state. Accordingly, a state could choose to follow a different interpretation. Our Insurance segment can give no assurance that future changes to SAP or components of SAP or the grant of permitted accounting practices to its competitors will not have a negative impact on our Insurance segment.

Our Insurance segment is exposed to the risks of natural and man-made catastrophes, pandemics and malicious and terrorist acts that could materially adversely affect our Insurance segment's business, financial condition and results of operations.

Natural and man-made catastrophes, pandemics and malicious and terrorist acts present risks that could materially adversely affect our Insurance segment's operations and results. No assurance can be given that there are not risks that have not been predicted or protected against that could have a material adverse effect on our Insurance segment. A natural or man-made catastrophe, pandemic or malicious or terrorist act could materially adversely affect the mortality or morbidity experience of our Insurance segment or its reinsurers. Claims arising from such events could have a material adverse effect on our Insurance segment's business, operations and financial condition, either directly or as a result of their effect on its reinsurers or other counterparties. While our Insurance segment has taken steps to identify and manage these risks, such risks cannot be predicted with certainty, nor fully protected against even if anticipated.

In addition, such events could result in a decrease or halt in economic activity in large geographic areas, adversely affecting the administration of our Insurance segment's business within such geographic areas and/or the general economic climate, which in turn could have an adverse effect on our Insurance segment's business, operations and financial condition. The possible macroeconomic effects of such events could also adversely affect our Insurance segment's asset portfolio.

Future acquisition transactions may not be financially beneficial to our Insurance segment.

In the future, our Insurance segment may pursue acquisitions of insurance companies and/or blocks of insurance businesses through merger, stock purchase or reinsurance transactions or otherwise. Lines of business that may be acquired include but are not limited to, standalone long-term care, life and annuity products, life and annuity products with long-term care and critical illness features, and supplemental health products.

There can be no assurance that the performance of the companies or blocks of business acquired will meet our Insurance segment's expectations, or that any of these acquisitions will be financially advantageous for our Insurance segment. The evaluation and negotiation of potential acquisitions, as well as the integration of an acquired business or portfolio, could result in a substantial diversion of management resources. Acquisitions could involve numerous additional risks such as potential losses from unanticipated litigation, levels of claims or other liabilities and exposures, an inability to generate sufficient revenue to offset acquisition costs and financial exposures in the event that the sellers of the acquired entities or blocks of business are unable or unwilling to meet their indemnification, reinsurance and other obligations to our Insurance segment (if any such obligations are in place).

Our Insurance segment's ability to manage its growth through acquisitions will depend, in part, on its success in addressing these risks. Any failure to effectively implement our Insurance segment's acquisition strategies could have a material adverse effect on our Insurance segment's business, financial condition or results of operations.

Our Insurance segment may be unable to execute acquisition transactions in accordance with its strategy.

The market for acquisitions of life or health insurers and blocks of like businesses is highly competitive, and there can be no assurance that our Insurance segment will be able to identify acquisition targets at acceptable valuations, or that any such acquisitions will ultimately achieve projected returns. In addition, insurance is a highly regulated industry and many acquisition transactions are subject to approval of state insurance regulatory authorities, and therefore involve heightened execution risk.

On October 7, 2013, the New York State Department of Financial Services announced that Philip A. Falcone, now our Chairman, President and Chief Executive Officer, had committed not to exercise control, within the meaning of New York insurance law, of a New York-licensed insurer for seven years (the "NYDFS Commitment"). Mr. Falcone, who at the time of the NYDFS Commitment was the Chief Executive Officer and Chairman of the Board of HRG Group Inc. ("HGI"), also committed not to serve as an officer or director of certain insurance company subsidiaries and related subsidiaries of HGI or to be involved in any investment decisions made by such subsidiaries, and agreed to recuse himself from participating in any vote of the board of HGI relating to the election or appointment of officers or directors of such companies. However, it was also noted that in the event compliance with the NYDFS Commitment proves impracticable, including in the context of merger, acquisition or similar transactions, then the terms of the NYDFS Commitment may be reconsidered and modified or withdrawn to the extent determined to be appropriate by the NYDFS Insurance regulatory authorities. We may consider the NYDFS Commitment in the course of a review of any prospective acquisition of an insurance company or block of insurance business by us or our Insurance segment, increasing the risk that any such transaction may be disapproved, or that regulatory conditions will be applied to the consummation of such an acquisition which may adversely affect the economic benefits anticipated to be derived by us and/or our Insurance segment from such transaction.

Our Insurance segment's investment portfolio is subject to various risks that may result in realized investment losses. In particular, decreases in the fair value of fixed maturity securities may significantly reduce the value of our investments, and as a result, our financial condition may suffer.

We are subject to credit risk in our investment portfolio. Defaults by third parties in the payment or performance of their obligations under these securities could reduce our investment income and realized investment gains or result in the recognition of investment losses. The value of our investments may be materially adversely affected by increases in interest rates, downgrades in the bonds included in our portfolio and by other factors that may result in the recognition of other-than-temporary impairments. Each of these events may cause us to reduce the carrying value of our investment portfolio.

The fair value of fixed maturities and the related investment income fluctuates depending on general economic and market conditions. The fair value of these investments generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us will generally increase or decrease in line with changes in market interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. The impact of value fluctuations affects our consolidated financial statements, as a large portion of our fixed maturities are classified as available-for-sale, with changes in fair value reflected in our stockholders' equity (accumulated other comprehensive income or loss). No similar adjustment is made for liabilities to reflect a change in interest rates. Therefore, interest rate fluctuations and economic conditions could adversely affect our stockholders' equity, total comprehensive income and/or cash flows. All of our fixed maturities are subject to credit risk. If any of the issuers of our fixed maturities suffer financial setbacks, the ratings on the fixed maturities could fall (with a concurrent fall in fair value) and, in a worst-case scenario, the issuer could default on its financial obligations. If the issuer defaults, we could have realized losses associated with the impairment of the securities.

Unanticipated increases in policyholder withdrawals or surrenders could negatively impact liquidity.

A primary liquidity concern is the risk of unanticipated or extraordinary policyholder withdrawals or surrenders. We track and manage liabilities and attempt to align our investment portfolio to maintain sufficient liquidity to support anticipated withdrawal demands. However, withdrawal and surrender levels may differ from anticipated levels for a variety of reasons, including changes in economic conditions, changes in policyholder behavior or financial needs, or changes in our claims-paying ability. Any of these occurrences could adversely affect our liquidity, profitability and financial condition.

While we own a significant amount of liquid assets, we could exhaust all sources of liquidity and be forced to obtain additional financing or liquidate assets, perhaps on unfavorable terms, if we experience unanticipated withdrawal or surrender activity. The availability of additional financing will depend on a variety of factors, such as market conditions, the availability of credit in general or more specifically in the insurance industry, the strength or weakness of the capital markets, the volume of trading activities, our credit capacity, and the perception of our long- or short-term financial prospects if we incur large realized or unrealized investment losses or if the level of business activity declines due to a market downturn. If we are forced to dispose of assets on unfavorable terms, it could have an adverse effect on our liquidity, results of operations and financial condition.

Risks Related to the Construction segment

DBMG's business is dependent upon major construction contracts, the unpredictable timing of which may result in significant fluctuations in its cash flow due to the timing of receipt of payment under such contracts.

DBMG's cash flow is dependent upon obtaining major construction contracts primarily from general contractors and engineering firms responsible 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. The timing of or failure to obtain contracts, delays in awards of contracts, cancellations of contracts, delays in completion of contracts, or failure to obtain timely payment from DBMG's customers, could result in significant periodic fluctuations in cash flows from DBMG's operations. In addition, many of DBMG's contracts require it to satisfy specific progress or performance milestones in order to receive payment from the customer. As a result, DBMG may incur significant costs for engineering, materials, components, equipment, labor or subcontractors prior to receipt of payment from a customer. Such expenditures could have a material adverse effect on DBMG's results of operations, cash flows or financial condition

The nature of DBMG's primary contracting terms for its contracts, including fixed-price and cost-plus pricing, could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's projects are awarded through a competitive bid process or are obtained through negotiation, in either case generally using one of two types of contract pricing approaches: fixed-price or cost-plus pricing. Under fixed-price contracts, DBMG performs its services and executes its projects at an established price, subject to adjustment only for change orders approved by the customer, and, as a result, it may benefit from cost savings but be unable to recover any cost overruns. If DBMG does not execute such a contract within cost estimates, it may incur losses or the project may be less profitable than expected. Historically, the majority of DBMG's contracts have been fixed-price arrangements. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to a variety of factors, including, but not limited to:

- failure to properly estimate costs of materials, including steel and steel components, engineering services, equipment, labor or subcontractors;
- costs incurred in connection with modifications to a contract that may be unapproved by the customer as to scope, schedule, and/or price;
- unanticipated technical problems with the structures, equipment or systems we supply;
- unanticipated costs or claims, including costs for project modifications, customer-caused delays, errors or changes in specifications or designs, or contract termination;
- changes in the costs of materials, engineering services, equipment, labor or subcontractors;
- changes in labor conditions, including the availability and productivity of labor;
- productivity and other delays caused by weather conditions;
- failure to engage necessary suppliers or subcontractors, or failure of such suppliers or subcontractors to perform;
- difficulties in obtaining required governmental permits or approvals;
- changes in laws and regulations; and
- changes in general economic conditions.

Under cost-plus contracts, DBMG receives reimbursement for its direct labor and material cost, plus a specified fee in excess thereof, which is typically a fixed rate per hour, an overall fixed fee, or a percentage of total reimbursable costs, up to a maximum amount, which is an arrangement that may protect DBMG against cost overruns. If DBMG is unable to obtain proper reimbursement for all costs incurred due to improper estimates, performance issues, customer disputes, or any of the additional factors noted above for fixed-price contracts, the project may be less profitable than expected.

Generally, DBMG’s contracts and projects vary in length from 1 to 24 months, depending on the size and complexity of the project, project owner demands and other factors. The foregoing risks are exacerbated for projects with longer-term durations because there is an increased risk that the circumstances upon which DBMG based its original estimates will change in a manner that increases costs. In addition, DBMG sometimes bears the risk of delays caused by unexpected conditions or events. To the extent there are future cost increases that DBMG cannot recover from its customers, suppliers or subcontractors, the outcome could have a material adverse effect on DBMG’s results of operations, cash flows or financial condition.

Furthermore, revenue and gross profit from DBMG’s contracts can be affected by contract incentives or penalties that may not be known or finalized until the later stages of the contract term. Some of DBMG’s contracts provide for the customer’s review of its accounting and cost control systems to verify the completeness and accuracy of the reimbursable costs invoiced. These reviews could result in reductions in reimbursable costs and labor rates previously billed to the customer.

The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts in progress. Due to the various estimates inherent in DBMG’s contract accounting, actual results could differ from those estimates.

DBMG’s billed and unbilled revenue may be exposed to potential risk if a project is terminated or canceled or if DBMG’s customers encounter financial difficulties.

DBMG’s contracts often require it to satisfy or achieve certain milestones in order to receive payment for the work performed. As a result, under these types of arrangements, DBMG may incur significant costs or perform significant amounts of services prior to receipt of payment. If the ultimate customer does not proceed with the completion of the project or if the customer or contractor under which DBMG is a subcontractor defaults on its payment obligations, DBMG may face difficulties in collecting payment of amounts due to it for the costs previously incurred. If DBMG is unable to collect amounts owed to it, this could have a material adverse effect on DBMG’s results of operations, cash flows or financial condition.

DBMG may be exposed to additional risks as it obtains new significant awards and executes its backlog, including greater backlog concentration in fewer projects, potential cost overruns and increasing requirements for letters of credit, each of which could have a material adverse effect on DBMG’s results of operations, cash flows or financial condition.

As DBMG obtains new significant project awards, these projects may use larger sums of working capital than other projects and DBMG’s backlog may become concentrated among a smaller number of customers. Approximately $147.6 million, representing 29.7%, of DBMG’s backlog at December 31, 2019 was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If any significant projects such as these currently included in DBMG’s backlog or awarded in the future were to have material cost overruns, or be significantly delayed, modified or canceled, DBMG’s results of operations, cash flows or financial position could be adversely impacted.

Moreover, DBMG may be unable to replace the projects that it executes in its backlog. Additionally, as DBMG converts its significant projects from backlog into active construction, it may face significantly greater requirements for the provision of letters of credit or other forms of credit enhancements which exceed its current credit facilities.

We can provide no assurance that DBMG would be able to access such capital and credit as needed or that it would be able to do so on economically attractive terms.

DBMG may not be able to fully realize the revenue value reported in its backlog, a substantial portion of which is attributable to a relatively small number of large contracts or other commitments.

At December 31, 2019, DBMG's backlog was $497.7 million, consisting of $329.7 million under contracts or purchase orders and $168.0 million under letters of intent or notices to proceed. Approximately $147.6 million, representing 29.7% of DBMG’s backlog at December 31, 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.

Commitments may be in the form of written contracts, letters of intent, notices to proceed and purchase orders. New awards may also include estimated amounts of work to be performed based on customer communication and historic experience and knowledge of our customers’ intentions. Backlog consists of projects which have either not yet been started or are in progress but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed, which increases or decreases to reflect modifications in the work to be performed under a given commitment. The revenue projected in DBMG’s backlog may not be realized or, if realized, may not be profitable as a result of poor contract terms or performance.

Due to project terminations, suspensions or changes in project scope and schedule, we cannot predict with certainty when or if DBMG's backlog will be performed. From time to time, projects are canceled that appeared to have a high certainty of going forward at the time they were recorded as new awards. In the event of a project cancellation, DBMG typically has no contractual right to the total revenue reflected in its backlog. Some of the contracts in DBMG's backlog provide for cancellation fees or certain reimbursements in the event customers cancel projects. These cancellation fees usually provide for reimbursement of DBMG's out-of-pocket costs, costs associated with work performed prior to cancellation, and, to varying degrees, a percentage of the profit DBMG would have realized had the contract been completed. Although DBMG may be reimbursed for certain costs, it may be unable to recover all direct costs incurred and may incur additional unrecoverable costs due to the resulting under-utilization of DBMG's assets.

DBMG's failure to meet contractual schedule or performance requirements could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

In certain circumstances, DBMG guarantees project completion by a scheduled date or certain performance levels. Failure to meet these schedule or performance requirements could result in a reduction of revenue and additional costs, and these adjustments could exceed projected profit. Project revenue or profit could also be reduced by liquidated damages withheld by customers under contractual penalty provisions, which can be substantial and can accrue on a daily basis. Schedule delays can result in costs exceeding our projections for a particular project. Performance problems for existing and future contracts could cause actual results of operations to differ materially from those previously anticipated and could cause us to suffer damage to our reputation within our industry and our customer base.

DBMG's government contracts may be subject to modification or termination, which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG is a provider of services to U.S. government agencies and is therefore exposed to risks associated with government contracting. Government agencies typically can terminate or modify contracts to which DBMG is a party at their convenience, due to budget constraints or various other reasons. As a result, DBMG's backlog may be reduced or it may incur a loss if a government agency decides to terminate or modify a contract to which DBMG is a party. DBMG is also subject to audits, including audits of internal control systems, cost reviews and investigations by government contracting oversight agencies. As a result of an audit, the oversight agency may disallow certain costs or withhold a percentage of interim payments. Cost disallowances may result in adjustments to previously reported revenue and may require DBMG to refund a portion of previously collected amounts. In addition, failure to comply with the terms of one or more of our government contracts or government regulations and statutes could result in DBMG being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties, the risk of public scrutiny of our performance, and potential harm to DBMG's reputation, each of which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition. Other remedies that government agencies may seek for improper activities or performance issues include sanctions such as forfeiture of profit and suspension of payments.

In addition to the risks noted above, legislatures typically appropriate funds on a year-by-year basis, while contract performance may take more than one year. As a result, contracts with government agencies may be only partially funded or may be terminated, and DBMG may not realize all of the potential revenue and profit from those contracts. Appropriations and the timing of payment may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures.

DBMG is exposed to potential risks and uncertainties associated with its reliance on subcontractors and third-party vendors to execute certain projects.

DBMG relies on third-party suppliers, especially suppliers of steel and steel components, and subcontractors to assist in the completion of projects. To the extent these parties cannot execute their portion of the work and are unable to deliver their services, equipment or materials according to the agreed-upon contractual terms, or DBMG cannot engage subcontractors or acquire equipment or materials, DBMG's ability to complete a project in a timely manner may be impacted. Furthermore, when bidding or negotiating for contracts, DBMG must make estimates of the amounts these third parties will charge for their services, equipment and materials. If the amount DBMG is required to pay for third-party goods and services in an effort to meet its contractual obligations exceeds the amount it has estimated, DBMG could experience project losses or a reduction in estimated profit.

Any increase in the price of, or change in supply and demand for, the steel and steel components that DBMG utilizes to complete projects could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

The prices of the steel and steel components that DBMG utilizes in the course of completing projects are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. Although DBMG may attempt to pass on certain of these increased costs to its customers, it may not be able to pass all of these cost increases on to its customers. As a result, DBMG's margins may be adversely impacted by such cost increases.

DBMG's dependence on suppliers of steel and steel components makes it vulnerable to a disruption in the supply of its products.

DBMG purchases a majority of the steel and steel components utilized in the course of completing projects from several domestic and foreign steel producers and suppliers. DBMG generally does not have long-term contracts with its suppliers. An adverse change in any of the following could have a material adverse effect on DBMG's results of operations or financial condition:

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

Intense competition in the markets DBMG serves could reduce DBMG's market share and earnings.

The principal geographic and product markets DBMG serves are highly competitive, and this intense competition is expected to continue. DBMG competes with other contractors for commercial, industrial and specialty projects on a local, regional, or national basis. Continued service within these markets requires substantial resources and capital investment in equipment, technology and skilled personnel, and certain of DBMG's competitors have financial and operating resources greater than DBMG. Competition also places downward pressure on DBMG's contract prices and margins. Among the principal competitive factors within the industry are price, timeliness of completion of projects, quality, reputation, and the desire of customers to utilize specific contractors with whom they have favorable relationships and prior experience.

While DBMG believes that it maintains a competitive advantage with respect to these factors, failure to continue to do so or to meet other competitive challenges could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's customers' ability to receive the applicable regulatory and environmental approvals for projects and the timeliness of those approvals could adversely affect DBMG's business.

The regulatory permitting process for DBMG's projects requires significant investments of time and money by DBMG's customers and sometimes by DBMG. There are no assurances that DBMG's customers or DBMG will obtain the necessary permits for these projects. Applications for permits may be opposed by governmental entities, individuals or special interest groups, resulting in delays and possible non-issuance of the permits.

DBMG's failure to obtain or maintain required licenses may adversely affect its business.

DBMG is subject to licensure and holds licenses in each of the states in the United States in which it operates and in certain local jurisdictions within such states. While we believe that DBMG is in material compliance with all contractor licensing requirements in the various jurisdictions in which it operates, the failure to obtain, loss or revocation of any license or the limitation on any of DBMG's primary services thereunder in any jurisdiction in which it conducts substantial operations could prevent DBMG from conducting further operations in such jurisdiction and have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Volatility in equity and credit markets could adversely impact DBMG due to its impact on the availability of funding for DBMG's customers, suppliers and subcontractors.

Some of DBMG's ultimate customers, suppliers and subcontractors have traditionally accessed commercial financing and capital markets to fund their operations, and the availability of funding from those sources could be adversely impacted by volatile equity or credit markets. The unavailability of financing could lead to the delay or cancellation of projects or the inability of such parties to pay DBMG or provide needed products or services and thereby have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's business may be adversely affected by bonding and letter of credit capacity.

Certain of DBMG's projects require the support of bid and performance surety bonds or letters of credit. A restriction, reduction, or termination of DBMG's surety bond agreements or letter of credit facilities could limit its ability to bid on new project opportunities, thereby limiting new awards, or to perform under existing awards.

DBMG is vulnerable to significant fluctuations in its liquidity that may vary substantially over time.

DBMG's operations could require the utilization of large sums of working capital, sometimes on short notice and sometimes without assurance of recovery of the expenditures. Circumstances or events that could create large cash outflows include losses resulting from fixed-price contracts, environmental liabilities, litigation risks, contract initiation or completion delays, customer payment problems, professional and product liability claims and other unexpected costs. There is no guarantee that DBMG's facilities will be sufficient to meet DBMG's liquidity needs or that DBMG will be able to maintain such facilities or obtain any other sources of liquidity on attractive terms, or at all.

DBMG's projects expose it to potential professional liability, product liability, warranty and other claims.

DBMG's operations are subject to the usual hazards inherent in providing engineering and construction services for the construction of often large commercial industrial facilities, such as the risk of accidents, fires and explosions. These hazards can cause personal injury and loss of life, business interruptions, property damage and pollution and environmental damage. DBMG may be subject to claims as a result of these hazards. In addition, the failure of any of DBMG's products to conform to customer specifications could result in warranty claims against it for significant replacement or rework costs, which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Although DBMG generally does not accept liability for consequential damages in its contracts, should it be determined liable, it may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed applicable policy limits. Any catastrophic occurrence in excess of insurance limits at project sites involving DBMG's products and services could result in significant professional liability, product liability, warranty or other claims against DBMG. Any damages not covered by insurance, in excess of insurance limits or, if covered by insurance, subject to a high deductible, could result in a significant loss for DBMG, which may reduce its profits and cash available for operations. These claims could also make it difficult for DBMG to obtain adequate insurance coverage in the future at a reasonable cost. Additionally, customers or subcontractors that have agreed to indemnify DBMG against such losses may refuse or be unable to pay DBMG.

DBMG may experience increased costs and decreased cash flow due to compliance with environmental laws and regulations, liability for contamination of the environment or related personal injuries.

DBMG is subject to environmental laws and regulations, including those concerning emissions into the air, discharge into waterways, generation, storage, handling, treatment and disposal of waste materials and health and safety.

DBMG's fabrication business often involves working around and with volatile, toxic and hazardous substances and other highly regulated pollutants, substances or wastes, for which the improper characterization, handling or disposal could constitute violations of U.S. federal, state or local laws and regulations and laws of other countries, and result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require DBMG to obtain permits and comply with various other requirements. Governmental authorities may seek to impose fines and penalties on DBMG, or revoke or deny issuance or renewal of operating permits for failure to comply with applicable laws and regulations. DBMG is also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. In connection with the historical operation of our facilities, substances which currently are or might be considered hazardous may have been used or disposed of at some sites in a manner that may require us to make expenditures for remediation.

The environmental, health and safety laws and regulations to which DBMG is subject are constantly changing, and it is impossible to predict the impact of such laws and regulations on DBMG in the future. We cannot ensure that DBMG's operations will continue to comply with future laws and regulations or that these laws and regulations will not cause DBMG to incur significant costs or adopt more costly methods of operation.

Additionally, the adoption and implementation of any new regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, DBMG's customers' equipment and operations could significantly impact demand for DBMG's services, particularly among its customers for industrial facilities.

Any expenditures in connection with compliance or remediation efforts or significant reductions in demand for DBMG's services as a result of the adoption of environmental proposals could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG is and will likely continue to be involved in litigation that could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG has been and may be, from time to time, named as a defendant in legal actions claiming damages in connection with fabrication and other products and services DBMG provides and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with services performed relating to project or construction sites. Contractual disputes normally involve claims relating to the timely completion of projects or other issues concerning fabrication and other products and services DBMG provides. There can be no assurance that any of DBMG's pending contractual, employment-related personal injury or property damage claims and disputes will not have a material effect on DBMG's future results of operations, cash flows or financial condition.

Work stoppages, union negotiations and other labor problems could adversely affect DBMG's business.

A portion of DBMG's employees are represented by labor unions, and 19% of DBMG's employees are covered under collective bargaining agreements that expire in less than one year, but are currently being renegotiated. A lengthy strike or other work stoppage at any of its facilities could have a material adverse effect on DBMG's business. There is inherent risk that ongoing or future negotiations relating to collective bargaining agreements or union representation may not be favorable to DBMG. From time to time, DBMG also has experienced attempts to unionize its non-union facilities. Such efforts can often disrupt or delay work and present risk of labor unrest.

DBMG's employees work on projects that are inherently dangerous, and a failure to maintain a safe work site could result in significant losses.

DBMG often works on large-scale and complex projects, frequently in geographically remote locations. Such involvement often places DBMG's employees and others near large equipment, dangerous processes or highly regulated materials. If DBMG or other parties fail to implement appropriate safety procedures for which they are responsible or if such procedures fail, DBMG's employees or others may suffer injuries. In addition to being subject to state and federal regulations concerning health and safety, many of DBMG's customers require that it meet certain safety criteria to be eligible to bid on contracts, and some of DBMG's contract fees or profits are subject to satisfying safety criteria. Unsafe work conditions also have the potential of increasing employee turnover, project costs and operating costs. The failure to comply with safety policies, customer contracts or applicable regulations could subject DBMG to losses and liability and could result in a variety of administrative, civil and criminal enforcement measures.

Risks Related to the Marine Services segment

The completion of the sale of the Company's interest in the Huawei Marine Networks joint venture is subject to a number of conditions, which, if not fulfilled or not fulfilled in a timely manner, may prevent the transaction from being consummated.

On October 30, 2019, the Company's Marine Services segment, Global Marine Group ("GMG"), through its indirect subsidiary, New Saxon 2019 Limited ("New Saxon"), announced New Saxon's entry into an agreement to sell its interests in Huawei Marine Networks Co., Limited ("HMN") to Hengtong Optic-Electric Co Ltd. ("Hengtong") pursuant to a Sale and Purchase Agreement dated as of October 29, 2019 (the "SAPA"). Under the SAPA, the sale of GMG's 49% interest in HMN will be effected in two tranches, with the sale of 30% of its interests in HMN anticipated to close early in the second quarter of 2020. The remaining 19% interest in HMN will be retained by New Saxon but subject to a put option agreement exercisable starting on the second year anniversary of the closing date of the sale of New Saxon's 30% interest in HMN at a price equal to the greater of the share price paid for the 30% interest or fair market value.

The sale of the Company's interest in HMN to Hengtong is subject to a number of closing conditions specified in the SAPA. The occurrence of certain events, changes or any other circumstances could give rise to the termination of the SAPA and cause the sale not to be completed. For instance, there is no assurance that all closing conditions will be met, including that all necessary approvals or waivers required to close the transaction have been obtained. If the parties fail to obtain required approvals or waivers, or to meet other conditions necessary to complete the sale as set forth in the SAPA, the Company may not be able to close the sale and the Company may not realize the anticipated benefits to its business and financial condition.

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

We have, indirectly through our subsidiaries, formed joint ventures, and may in the future engage in similar joint ventures with third parties. For example, GMSL operates various joint ventures outside of the United States. In such circumstances, we may not be in a position to exercise significant decision-making authority if we do not own a substantial majority of the equity interests of such joint venture or otherwise have contractual rights entitling us to exercise such authority. These ventures may involve risks not present were a third party not involved, including the possibility that partners might become insolvent or fail to fund their share of required capital contributions. In addition, partners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Disputes between us and partners may result in litigation or arbitration that would increase our costs and expenses and divert a substantial amount of management's time and effort away from our businesses. We may also, in certain circumstances, be liable for the actions of our third-party partners which could have a material adverse effect on us.

There are risks inherent in certain of the Company's foreign joint ventures and investments, such as the risk that adverse changes in currency values or foreign regulations will diminish the value of these assets.

The HMN joint venture has operating activities or interests that are located outside the United States and therefore are subject to certain risks related to the indirect ownership and development of, or investment in, foreign subsidiaries. These risks include government expropriation and nationalization, adverse changes in currency values and foreign exchange controls, foreign taxes, U.S. taxes on the repatriation of funds to the United States, and other laws and regulations, both foreign and domestic, any of which may have a material adverse effect on the Company's investments, financial condition, results of operations, or cash flows. In particular, given our investments in joint ventures in China, there are also substantial uncertainties regarding the interpretation, application and enforcement of China's laws and regulations. The effectiveness of newly-enacted or amended laws or regulations in China may be delayed, resulting in detrimental reliance by foreign investors. Furthermore, new laws, regulations and government actions, both internationally and in the U.S., that affect existing and proposed future businesses in China may be applied retroactively and impact the Company's investments and activities. The unpredictability of the interpretation and application of existing and new laws and regulations, in both China and in other countries, may raise additional challenges for us as the HMN joint venture in China develops and grows. Our failure to understand these laws or an unforeseen change in a law, or the application thereof, may have a material adverse effect on the Company's investments, financial condition, results of operations, or cash flows.

Risks Related to our Telecommunications segment

Our Telecommunications segment is substantially smaller than some of our major competitors, whose marketing and pricing decisions, and relative size advantage could adversely affect our ability to attract and to retain customers. These major competitors are likely to continue to cause significant pricing pressures that could adversely affect ICS's net revenues, results of operations and financial condition.

The carrier services telecommunications industry is significantly influenced by the marketing and pricing decisions of the larger business participants. The rapid development of new technologies, services and products has eliminated many of the traditional distinctions among wireless, cable, Internet, local and long distance communication services. We face many competitors in this market, including telephone companies, cable companies, wireless service providers, satellite providers, application and device providers. ICS faces competition for its voice trading services from telecommunication services providers' traditional processes and new companies. Once telecommunication services providers have established business relationships with competitors to ICS, it could be extremely difficult to convince them to utilize our services. These competitors may be able to develop services or processes that are superior to ICS's services or processes, or that achieve greater industry acceptance.

Many of our competitors are significantly larger than us and have substantially greater financial, technical and marketing resources, larger networks, a broader portfolio of service offerings, greater control over network and transmission lines, stronger name recognition and customer loyalty and long-standing relationships with our target customers. As a result, our ability to attract and retain customers may be adversely affected. Many of our competitors enjoy economies of scale that result in low cost structures for transmission and related costs that could cause significant pricing pressures within the industry.

Our ability to compete effectively will depend on, among other things, our network quality, capacity and coverage, the pricing of our products and services, the quality of our customer service, our development of new and enhanced products and services, the reach and quality of our sales and distribution channels and our capital resources. It will also depend on how successfully we anticipate and respond to various factors affecting our industry, including new technologies and business models, changes in consumer preferences and demand for existing services, demographic trends and economic conditions. While growth through acquisitions is a possible strategy for ICS, there are no guarantees that any acquisitions will occur, nor are there any assurances that any acquisitions by ICS would improve the financial results of its business. If we are not able to respond successfully to these competitive challenges, we could experience reduced revenues.

ICS suppliers may not be able to obtain credit insurance on ICS, which could have a material adverse effect on ICS's business.

ICS makes purchases from its suppliers, who may rely on the ability to obtain credit insurance on ICS in determining whether or not to extend short-term credit to ICS in the form of accounts receivables. To the extent that these suppliers are unable to obtain such insurance they may be unwilling to extend credit. In early 2016, two significant insurers of this type of credit, Euler and Coface, determined that they will not insure ICS credit, and that the existing policies on its credit were cancelled based on their analysis of the financial condition of HC2, including its indebtedness levels, recent net losses and negative cash flow. As a result, we expect ICS's suppliers to find it difficult to obtain credit insurance on ICS, which could have a material adverse effect on ICS's business, financial condition, results of operations and prospects.

Any failure of ICS's physical infrastructure, including undetected defects in technology, could lead to significant costs and disruptions that could reduce its revenue and harm its business reputation and financial results.

ICS depends on providing customers with highly reliable service. ICS must protect its infrastructure and any collocated equipment from numerous factors, including:

- human error;
- physical or electronic security breaches;
- fire, earthquake, flood and other natural disasters;
- water damage;
- power loss; and
- terrorism, sabotage and vandalism.

Problems at one or more of ICS's exchange delivery points, whether or not within ICS's control, could result in service interruptions or significant equipment damage. Any loss of services, equipment damage or inability to terminate voice calls or supply Internet capacity could reduce the confidence of the members and customers and could consequently impair ICS's ability to obtain and retain customers, which would adversely affect both ICS's ability to generate revenues and its operating results.

ICS's positioning in the marketplace and intense domestic and international competition in these services places a significant strain on our resources, which if not managed effectively could result in operational inefficiencies and other difficulties.

To manage ICS's market positioning effectively, we must continue to implement and improve its operational and financial systems and controls, invest in critical network infrastructure to expand its coverage and capacity, maintain or improve its service quality levels, purchase and utilize other transmission facilities, evolve its support and billing systems and train and manage its employee base. If we inaccurately forecast the movement of traffic onto ICS's network, we could have insufficient or excessive transmission facilities and disproportionate fixed expenses. As we proceed with the development of our ICS business, operational difficulties could arise from additional demand placed on customer provisioning and support, billing and management information systems, product delivery and fulfillment, support, sales and marketing, administrative resources, network infrastructure, maintenance and upgrading. For instance, we may encounter delays or cost-overruns or suffer other adverse consequences in implementing new systems when required.

If ICS is not able to operate a cost-effective network, we may not be able to operate our ICS business successfully.

Our business's success depends on our ability to design, implement, operate, manage, maintain and upgrade a reliable and cost-effective network infrastructure. In addition, we rely on third-party equipment and service vendors manage ICS's global network through which it provides its services. If we fail to generate traffic on ICS's network, if we experience technical or logistical impediments to the development of necessary aspects of ICS's network or the migration of traffic and customers onto ICS's network, or if we experience difficulties with third-party providers, we may not achieve desired economies of scale or otherwise be successful in our business.

Our telecommunications network infrastructure has several vulnerabilities and limitations.

Our telecommunications network is the source of most of ICS's revenues and any damages to or loss of our equipment or any problem with or limitation of ICS's network whether accidental or otherwise, including network, hardware and software failures may result in a reduction in the number of our customers or usage level by our customers, our inability to attract new customers or increased maintenance costs, all of which would have a negative impact on our results of operations. The development and operation of our network is subject to problems and technological risks, including:

- physical damage;
- power surges or outages;
- capacity limitations;
- software defects as well as hardware and software obsolescence;
- breaches of security, whether by computer virus, break-in or otherwise;
- denial of access to our sites for failure to obtain required municipal or other regulatory approvals; and
- other factors which may cause interruptions in service or reduced capacity for our customers.

Our operations also rely on a stable supply of utilities service. We cannot assure you that future supply instability will not impair our ability to procure required utility services in the future, which could adversely impact our business, financial condition and results of operations.

Changes in the regulatory framework under which we operate could adversely affect our business prospects or results of operations.

Our domestic operations are subject to regulation by federal and state agencies, and our international operations are regulated by various foreign governments and international bodies. These regulatory regimes may restrict or impose conditions on our ability to operate in designated areas and to provide specified products or services. We are frequently required to maintain licenses for our operations and conduct our operations in accordance with prescribed standards. We are from time to time involved in regulatory and other governmental proceedings or inquiries related to the application of these requirements. It is impossible to predict with any certainty the outcome of pending federal and state regulatory proceedings relating to our operations, or the reviews by federal or state courts of regulatory rulings. Moreover, new laws or regulations or changes to the existing regulatory framework could affect how we manage our wireline and wireless networks, impose additional costs, impair revenue opportunities, and potentially impede our ability to provide services in a manner that would be attractive to us and our customers.

Service interruptions due to natural disasters or unanticipated problems with our network infrastructure could result in customer loss.

Natural disasters or unanticipated problems with our network infrastructure could cause interruptions in the services we provide. The failure of a switch and our back-up system would result in the interruption of service to the customers served by that switch until necessary repairs are completed or replacement equipment is installed. The successful operation of our network and its components is highly dependent upon our ability to maintain the network and its components in reliable enough working order to provide sufficient quality of service to attract and maintain customers. Any damage or failure that causes interruptions in our operations or lack of adequate maintenance of our network could result in the loss of customers and increased maintenance costs that would adversely impact our results of operations and financial condition.

We have backup data for our key information and data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. However, we cannot assure you that our business activities would not be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our insurance coverage may not adequately cover losses resulting from the risks for which we are insured.

We maintain insurance policies for our network facilities and all of our corporate assets. This insurance coverage protects us in the event we suffer losses resulting from theft, fraud, natural disasters or other similar events or from business interruptions caused by such events. In addition, we maintain insurance policies for our directors and officers. We cannot assure you however, that such insurance will be sufficient or will adequately cover potential losses.

We could be adversely affected if major suppliers fail to provide needed equipment and services on a timely or cost-efficient basis or are unwilling to provide us credit on favorable terms or at all.

We rely on a few strategic suppliers and vendors to provide us with equipment, materials and services that we need in order to expand and to operate our business. There are a limited number of suppliers with the capability of providing the network equipment and platforms that our operations and expansion plans require or the services that we require to maintain our extensive and geographically widespread networks. In addition, because the supply of network equipment and platforms requires detailed supply planning and this equipment is technologically complex, it would be difficult for us to replace the suppliers of this equipment. Suppliers of cables that we need to extend and maintain our networks may suffer capacity constraints or difficulties in obtaining the raw materials required to manufacture these cables.

We also depend on network installation and maintenance services providers, equipment suppliers, call centers, collection agencies and sales agents, for network infrastructure, and services to satisfy our operating needs. Many suppliers rely heavily on labor; therefore, any work stoppage or labor relations problems affecting our suppliers could adversely affect our operations. Suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own shortages and business requirements. Similarly, interruptions in the supply of telecommunications equipment for networks could impede network development and expansion. If these suppliers fail to deliver products and services on a timely and cost-efficient basis that satisfies our demands or are unwilling to sell to us on favorable credit terms or at all, we could experience disruptions, which could have an adverse effect on our business, financial condition and results of operations.

Risks related to our Broadcasting segment

We may not be able to successfully integrate HC2 Broadcasting's recent acquisitions into our business, or realize the anticipated benefits of these acquisitions.

Following the completion of HC2 Broadcasting’s recent and pending acquisitions, the integration of these businesses into our operations may be a complex and time-consuming process that may not be successful. For example, prior to the completion of HC2 Broadcasting’s acquisition of Azteca America, we did not operate a Spanish-language broadcast network providing original content to the Hispanic audience in the United States. In addition, HC2 Broadcasting’s pending and completed acquisitions during 2019 expanded HC2 Broadcasting's network to 195 operational stations. In addition, Broadcasting owns approximately 200 construction permits, allowing for further build-out of coverage across the United States. This may add complexity to effectively overseeing, integrating and operating these assets.

Even if we successfully integrate these assets into our business and operations, there can be no assurance that we will realize the anticipated benefits and operating synergies. The Company's estimates regarding the earnings, operating cash flow, capital expenditures and liabilities resulting from these acquisitions may prove to be incorrect. For example, with any past or future acquisition, there is the possibility that:

- we may not have implemented company policies, procedures and cultures, in an efficient and effective manner;
- we may not be able to successfully reduce costs, increase advertising revenue or audience share;
- we may fail to retain and integrate employees and key personnel of the acquired business and assets;
- our management may be reassigned from overseeing existing operations by the need to integrate the acquired business;
- we may encounter unforeseen difficulties in extending internal control and financial reporting systems at the newly acquired business;
- we may fail to successfully implement technological integration with the newly acquired business or may exceed the capabilities of our technology infrastructure and applications;
- we may not be able to generate adequate returns;
- we may encounter and fail to address risks or other problems associated with or arising from our reliance on the representations and warranties and related indemnities, if any, provided to us by the sellers of acquired companies and assets;
- we may suffer adverse short-term effects on operating results through increased costs and may incur future impairments of goodwill associated with the acquired business;
- we may be required to increase our leverage and debt service or to assume unexpected liabilities in connection with our acquisitions; and
- we may encounter unforeseen challenges in entering new markets in which we have little or no experience.

The occurrence of any of these events or our inability generally to successfully implement our acquisition and investment strategy would have an adverse effect, which could be material, on our business, financial condition and results of operations.

Our broadcasting business conducted by HC2 Broadcasting operates in highly competitive markets and our ability to maintain market share and generate operating revenues depends on how effectively we compete with existing and new competition.

HC2 Broadcasting's broadcast stations compete for audiences and advertising revenue with other broadcast stations as well as with other media such as the Internet and radio. HC2 Broadcasting also faces competition from (i) local free over-the-air broadcast television and radio stations; (ii) telecommunication companies; (iii) cable and satellite system operators and cable networks; (iv) print media providers such as newspapers, direct mail and periodicals; (v) internet search engines, internet service providers, websites, and mobile applications; and (vi) other emerging technologies including mobile television. Some of HC2 Broadcasting's current and potential competitors have greater financial and other resources than HC2 Broadcasting does and so may be better placed to extend audience reach and expand programming. Many of HC2 Broadcasting’s competitors possess greater access to capital, and its financial resources may be relatively limited when contrasted with those of such competitors. If HC2 Broadcasting needs to obtain additional funding, HC2 Broadcasting may be unable to such raise capital or, if HC2 Broadcasting is able to obtain capital it may be on unfavorable terms. If HC2 Broadcasting is unable to obtain additional funding as and when needed, it could be forced to delay its development, marketing and expansion efforts and, if it continues to experience losses, potentially cease operations.

In addition, cable companies and others have developed national advertising networks in recent years that increase the competition for national advertising. Over the past decade, cable television programming services, other emerging video distribution platforms and the Internet have captured increasing market share. Cable providers, direct broadcast satellite companies and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. The decreased cost of creating channels may also encourage new competitors to enter HC2 Broadcasting's markets and compete with us for advertising revenue. In addition, technologies that allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services and, as a result, lower Broadcasting's advertising revenues. Furthermore, technological advancements and the resulting increase in programming alternatives, such as cable television, direct broadcast satellite systems, pay-per-view, home video and entertainment systems, video-on-demand, mobile video and the Internet have also created new types of competition to television broadcast stations and will increase competition for household audiences and advertisers. We cannot provide any assurances that we will remain competitive with these developing technologies.

HC2 Broadcasting's inability to successfully respond to new and growing sources of competition in the broadcasting industry could have an adverse effect on HC2 Broadcasting's business, financial condition and results of operations.

The Federal Communications Commission ("FCC") could implement regulations or the U.S. Congress could adopt legislation that might have a significant impact on the operations of the stations we own and the stations we provide services to or the television broadcasting industry as a whole.

The FCC regulates HC2 Broadcasting's broadcasting business. We must often times obtain the FCC’s approval to obtain, renew, assign or modify, a license, purchase a new station, sell an existing station or transfer the control of one of HC2 Broadcasting's subsidiaries that hold a license. HC2 Broadcasting's FCC licenses are critical to HC2 Broadcasting's operations; we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions in a timely manner, if at all. If licenses are not renewed or acquisitions are not approved, we may lose revenue that we otherwise could have earned and this would have an adverse effect on HC2 Broadcasting's business, financial condition and results of operations.

In addition, Congress and the FCC may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters (including, but not limited to, technological changes in spectrum assigned to particular services) that could, directly or indirectly, materially and adversely affect the operation and ownership of HC2 Broadcasting's broadcast properties.

Broadcasting Licenses are issued by, and subject to the jurisdiction of the 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 2023; 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 at the end of 2019, and will have 51 applications due in 2020. Third parties may oppose license renewals. 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 occurred in 2019. Building these stations before those deadlines has been extremely challenging, especially in the post-auction relocation environment, which is creating scarcity of industry equipment and labor, whcih has caused us to miss such deadlines for some stations. 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 obtain such extensions for some stations, 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters facility is located in New York, New York. We lease administrative, technical and sales office space in various locations in the countries in which we operate. DBMG is headquartered in Phoenix, Arizona; ANG is headquartered in Saratoga Springs, NY, and leases land for fueling stations across the U.S.; ICS is headquartered in Washington D.C., HC2 Broadcasting is headquartered in New York, New York and CGI is headquartered in Austin, Texas. As of December 31, 2019, total leased space approximates 862,033 square feet, and land leased for fueling stations of 1,600,182 square feet. See Note 15. Leases for annual lease costs. The Company has entered into operating and finance lease agreements primarily for land, office space, vessels, equipment and vehicles, expiring between 2020 and 2045. The operating leases expire at various times, with the longest commitment expiring in 2033. In addition, ANG and DBMG own operational facilities and sales offices throughout the United States totaling approximately 5,541,296 square feet. We believe that our present administrative, technical and sales office facilities are adequate for our anticipated operations and that similar space can be obtained readily as needed.

ITEM 3. LEGAL PROCEEDINGS

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.

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.

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 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 Court held a final settlement hearing on September 17, 2019. On October 7, 2019, the Court entered a final approval order certifying the class and approving the class settlement. On October 22, 2019, the Court granted Plaintiffs' motion for attorney's fees and costs. On October 25, 2019, the Court entered final judgment and closed the Ohio action. The case pending before the District of Nebraska was dismissed with prejudice on November 12, 2019, pursuant to the parties' joint stipulation.

The Company and CGI sought 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. The dispute is ongoing and CGI intends to continue to pursue its right to a defense and indemnity under the SPA regardless of the tentative settlement in the class action. Meanwhile, the parties' continued settlement negotiations resulted in a settlement agreement in the Delaware action. The settlement agreement, which was contingent on the final approval of the class action settlement in the Ohio action, required CGI to contribute $250,000 to the settlement payment made by GAFRI in the class action. No further contributions to the class action settlement will be required of CGI. Once the class action settlement became final, CGI and GAFRI filed a joint stipulation to dismiss the Delaware action, which stipulation was entered by the Court on January 21, 2020. The Delaware action is now closed.

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 plaintiff and 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 now-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. On November 15, 2019, the parties filed definitive documentation in support of a proposed settlement of the action. On January 14, 2020, plaintiff filed an amended complaint restating and elaborating on the claims raised in the Complaint. The amended Complaint seeks compensatory and rescissory damages, as well as attorney's fees and other relief.

On February 13, 2020, the Court held a settlement hearing to consider the proposed settlement and certain objections filed by two current DBMG stockholders. The Court expressed concerns about certain terms of the proposed settlement and the parties are considering how to address the Court's concerns. There can be no assurance that any settlement will be resubmitted by the parties or that the Delaware Courts will approve any settlement proposed by the parties. If a settlement cannot be reached, the Company believes it has meritorious defenses and intends to vigorously defend this matter.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

HC2 common stock trades on the NYSE under the ticker symbol "HCHC".

Holders of Common Stock

As of February 29, 2019, HC2 had approximately 4,150 holders of record of its common stock. This number does not include stockholders for whom shares were held in "nominee" or "street" name.

Dividends

HC2 paid no dividends on its common stock in 2019 or 2018, and the HC2 Board of Directors has no current intention of paying any dividends on HC2 common stock in the near future. The payment of dividends, if any, in the future is within the discretion of the HC2 Board of Directors and will depend on our earnings, our capital requirements, financial condition, the ability to comply with the requirements of the law and agreements governing our and our subsidiaries indebtedness. The Secured Indenture contains covenants that, among other things, limit or restrict our ability to make certain restricted payments, including the payment of cash dividends with respect to HC2’s common stock. The DBMG Facility and the GMSL Facility contain similar covenants applicable to DBMG and GMSL, respectively. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources and Note 14. Debt Obligations to our consolidated financial statements for more detail concerning our Secured Notes and other financing arrangements. Moreover, dividends may be restricted by other arrangements entered into in the future by us.

Issuer Purchases of Equity Securities

HC2 did not repurchase any of its equity securities in the year ended December 31, 2019.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the information in our consolidated annual audited financial statements and the notes thereto, each of which are contained in Item 8 entitled "Financial Statements and Supplementary Data," and other financial information included herein. 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 as well as the section below entitled "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

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

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 Consolidated Financial Statements for additional information.

Seasonality and Cyclical Patterns

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

Construction

The Company retained Jefferies & Co. to explore strategic options for DBMG, including a potential sale.

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 $5.0 million and $12.7 million in equity method income for the years ended December 31, 2019 and 2018, respectively. The sale of GMSL's interest values HMN at $285 million, and GMSL's 49% stake at approximately $140 million.

On January 30, 2020, the Company announced that, through its indirect subsidiary New Saxon 2019 Limited in which the Company indirectly holds an approximately 73% controlling interest, the Company has entered into a definitive agreement to sell 100% of the shares of GMSL to Trafalgar AcquisitionCo, Ltd. and an affiliate of J.F. Lehman & Company, LLC. The total base consideration will be $250 million, subject to customary purchase price adjustments, plus a potential earn-out of up to $12.5 million at such time, if any, as J.F. Lehman & Company, LLC and its investment affiliates achieve a specified multiple of their invested capital. The purchase price is subject to customary potential downward or upward post-closing adjustments based on net working capital, cash, unpaid transaction expenses, indebtedness and certain of the Company's pre-closing paid capital expenditures. The SPA contains customary representations, warranties and covenants for a transaction of this nature. In connection with the closing of the transaction, purchaser will deposit (i) $1.25 million of the base price into an escrow fund for the purpose of securing certain indemnification obligations for losses payable in the first twelve months after closing and (ii) $1.91 million of the base price into an escrow fund for the purpose of securing a purchase price adjustment, if any, in favor of purchaser. Following the closing, purchaser shall pay to the Company an amount equal to $2.4 million on the earlier of December 31, 2020 and the date on which a cash collateralized bond in connection with the Company's bonding facility is released. The transaction closed on February 28, 2020. At the closing of the transaction, the purchaser directed £24.4 million of the base price to be paid to the trustee under the Global Marine Systems Pension Plan.

On March 2, 2020, HC2 provided notice (the "Asset Sale Redemption Notice") to U.S. Bank National Association, as trustee (the "Trustee"), of its intent to use the net cash proceeds of the Sale to redeem $76.9 million aggregate principal amount of HC2's 11.5% Senior Secured Notes due 2021, at a redemption price equal to 104.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest since December 1, 2019 (the last regularly scheduled interest payment date) to the redemption date of April 2, 2020. The redemption of the Notes will be made in accordance with the terms of the Indenture.

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.

Insurance

The Company is in advanced discussions for the potential divestiture of its 100%-owned indirect subsidiaries, Continental Insurance Group Ltd. and Continental General Insurance Company.

Broadcasting

During the year ended December 31, 2019 HC2 Broadcasting acquired a series of licenses for a total cash consideration of $20.5 million.

Life Sciences

On September 16, 2019, Pansend received a cash payment of $13.3 million, which was previously held in 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 will be 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 will receive 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.

Debt Obligations

Marine Sciences

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 of the outstanding notes were repaid.

Broadcasting

On October 24, 2019, Broadcasting issued $78.7 million 364-day secured notes (the "2020 Notes"). The privately placed notes were comprised of a $36.2 million, 8.50%,tranche, funded by an affiliate of MSD Partners, L.P. (the "8.50%% Note due 2020"). The remaining $42.5 million, 10.50% tranche (the "10.50% Note due 2020") was a modification of the existing 8.50%, 364-day Secured Note, with certain institutional investors. The 2020 Notes have a paid-in-kind ("PIK") coupon and mature in October 2020. The net proceeds from the financing were used to retire HC2 Broadcasting's existing debt, as well as fund pending acquisitions, working capital and general corporate purposes. In connection with the issuance of the 10.50% Note due 2020, Broadcasting issued warrants to the same institutional investors to purchase 50,000 shares of common stock at $176.4 per share for a total purchase price of $8.8 million, or net settled, if exercised as of the issuance date, and as may be adjusted at any future exercise of the warrant pursuant to its terms. The warrant has a five-year term and is immediately exercisable.

As of December 31, 2018, there were $35.0 million of 8.50%, 364-day Secured Notes which were issued on August 7, 2018. The 364-day Secured Note was used to finance certain acquisitions and for general corporate purposes. In January 2019, the capacity of the 364-day Secured Note was increased by $15.0 million to $50.0 million and institutional investors funded $7.5 million of the 8.5% Notes bringing the total outstanding 8.5% Notes balance to $42.5 million, which were later modified by the 10.50% Note due 2020, as described above . In April 2019, an additional $0.7 million of notes were issued at 8.50% and later repaid in full with the proceeds from the issuance of the 8.50% Note due 2020. In May, August, and September of 2019, Broadcasting issued an additional $21.5 million of notes bearing interest of 8.50% that were repaid in full with the proceeds from the issuance of the 8.50% Note due 2020.

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.

In March 2020, with the proceeds received from the sale of GMSL, the Company paid down its LIBOR plus 6.75% Line of Credit and issued a 30 days redemption notice for $76.9 million of its 11.50% Senior Secured Notes, due 2021.

Other

Energy

In December 2019, the U.S. Congress passed an alternative fuel tax credit ("AFTC") which will continue to support the use of natural gas. The AFTC is retroactive beginning January 2018 and extends through 2020. The legislation extends the $0.50 per gallon fuel credit/payment for the use of natural gas as a transportation fuel, and the Alternative Fuel Vehicle Refueling Property Credit, which extends the 30 percent/$30,000 investment tax credit for alternative vehicle refueling property. Net revenue after customer rebates for such credits recognized in 2019 was $10.6 million.

Tax Sharing Agreement

Under a tax sharing agreement, the Construction segment reimburses HC2 for use of its net operating losses. During the year ended December 31, 2019, HC2 received $14.5 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 year ended December 31, 2019 as compared to the year ended December 31, 2018.

Results of Operations

The following table summarizes our results of operations and a comparison of the change between the periods (in millions):

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue			
Construction	$ 713.3	$ 716.4	$ (3.1)
Marine Services	172.5	194.3	(21.8)
Energy	39.0	20.7	18.3
Telecommunications	696.1	793.6	(97.5)
Insurance	331.6	217.1	114.5
Broadcasting	41.8	45.4	(3.6)
Other	—	3.7	(3.7)
Eliminations (1)	(10.2)	(14.5)	4.3
Total net revenue	1,984.1	1,976.7	7.4
Income (loss) from operations			
Construction	$ 45.1	$ 41.9	$ 3.2
Marine Services	(6.1)	(15.4)	9.3
Energy	10.1	(0.5)	10.6
Telecommunications	(1.8)	4.8	(6.6)
Insurance	37.3	1.8	35.5
Life Sciences	(8.9)	(13.8)	4.9
Broadcasting	(11.4)	(24.0)	12.6
Other	—	(2.5)	2.5
Non-operating Corporate	(25.0)	(33.6)	8.6
Eliminations (1)	(10.2)	(14.5)	4.3
Total income (loss) from operations	29.1	(55.8)	84.9
Interest expense	(95.1)	(75.7)	(19.4)
Gain on sale and deconsolidation of subsidiary	—	105.1	(105.1)
Income from equity investees	2.2	15.4	(13.2)
Gain on bargain purchase	1.1	115.4	(114.3)
Other income	6.0	77.9	(71.9)
(Loss) income from continuing operations	(56.7)	182.3	(239.0)
Income tax benefit (expense)	20.6	(2.4)	23.0
Net (loss) income	(36.1)	179.9	(216.0)
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	4.6	(17.9)	22.5
Net (loss) income attributable to HC2 Holdings, Inc.	(31.5)	162.0	(193.5)
Less: Preferred dividends, deemed dividends, and repurchase gains	—	6.4	(6.4)
Net (loss) income attributable to common stock and participating preferred stockholders	$ (31.5)	$ 155.6	$ (187.1)

(1) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 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 year ended December 31, 2019 increased $7.4 million to $1,984.1 million from $1,976.7 million for the year ended December 31, 2018. The increase in revenue was driven by improvements in our Insurance and Energy segments. The increase in our Insurance segment, net of eliminations, was 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. The increase in our Energy segment was largely driven by the AFTC related to the 2018 and 2019 CNG sales that was recognized in the fourth quarter of 2019 and included AFTC from the acquisition of the ampCNG stations. 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 decline in the volume of projects under execution across multiple reporting lines, including power cable repair in offshore renewables, telecom installation work, and a reduction in CWind Group revenue due to focusing on a mix of more profitable projects.

Income (loss) from operations: Income (loss) from operations for the year ended December 31, 2019 increased $84.9 million to income of $29.1 million from a loss of $55.8 million for the year ended December 31, 2018. The increase in income (loss) from operations was primarily driven by our Insurance segment, net of eliminations, due to the recent 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, our Energy segment driven by the AFTC related to the 2018 and 2019 CNG sales that was recognized in the fourth quarter of 2019, and our Marine Services segment due to 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.

Interest expense: Interest expense for the year ended December 31, 2019 increased $19.4 million to $95.1 million from $75.7 million for the year ended December 31, 2018. The increase was 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 for the year ended December 31, 2018 was $105.1 million. The 2018 activity was attributable to the Life Sciences segment's sale of BeneVir in which the Company recorded a gain on the sale of $102.1 million in addition to the deconsolidation of 704Games in the third quarter of 2018, which resulted in a gain of $3.0 million. There was no comparable activity in the current year.

Income from equity investees: Income from equity investees for the year ended December 31, 2019 decreased $13.2 million to $2.2 million from $15.4 million for the year ended December 31, 2018. The decrease was largely due to lower equity method income recorded from our equity investment in Huawei Marine Networks ("HMN") and S.B. Submarine Systems ("SBSS").

Gain on bargain purchase: Gain on bargain purchase was $1.1 million and $115.4 million for the years ended December 31, 2019 and 2018, respectively. The gain on bargain purchase was driven by the Insurance Segment's acquisition of KIC in 2018 and subsequent purchase price allocation adjustments recorded in 2019. 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. More specifically, the gain on bargain purchase was largely driven by the following attributes: (i) 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; (ii) the reduction in the federal income tax rate, from 35% at the time the seller contribution was established to 21% effective January 1, 2018; and (iii) 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.

Other income: Other income for the year ended December 31, 2019 decreased $71.9 million to $6.0 million from $77.9 million for the year ended December 31, 2018. During 2019, the Company recognized gains at our Life Sciences segment, driven by the MediBeacon equity transaction. During 2018, the Company reported the following events that did not occur in 2019 (i) sale of investment in INSG for a total consideration and net gain of $34.4 million, (ii) CGI recaptured two of their reinsurance treaties, in which a gain of $47.0 million was recognized, and (iii) $5.1 million loss on the extinguishment of debt at our Non-operating corporate and Broadcasting segments.

Income tax benefit (expense): Income tax benefit (expense) was a benefit of $20.6 million and an expense of $2.4 million for the year ended December 31, 2019 and 2018, respectively. The amount recorded primarily relates to the release of the Insurance segment’s valuation allowance previously recorded against its deferred tax assets. The Insurance segment is profitable in 2019 and in a three-year overall cumulative income position as of December 31, 2019. The profitability is driven by current year income associated with favorable claims and reserve development relative to expected. Further, unrealized gains from the investment portfolio continued to grow in 2019. The positive trend of profitability in 2018 and 2019 is expected to continue. As a result of the three-year cumulative income position and reliance upon future projections of income, the Insurance segment has released, in full, the $37.4 million valuation allowance as part of continuing operations. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. tax consolidated group 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.

Income tax expense was $2.4 million for the year ended December 31, 2018. The amount recorded primarily relates to separate state filings that do not have net operating losses available to offset income. In 2018, the Insurance segment acquired Humana’s long-term care business, Kanawha Insurance Company. The combined insurance entity generated a net operating loss for the year due to additional tax deductions related to increases in policy holder reserves. In addition, the bargain purchase gain is not taxable. This net operating loss was carried forward but had a valuation allowance. Additionally, the income tax expense generated from the sale of BeneVir in 2018 is offset by tax attributes for which a valuation allowance had been recorded. Therefore, there is no net income tax expense recorded in the income statement for the sale.

Preferred dividends, deemed dividends, and repurchase gains: Preferred dividends, and deemed dividends, and repurchase gains for the year ended December 31, 2019 decreased $6.4 million to zero compared to a loss of $6.4 million for the year ended December 31, 2018. The decrease was driven by (i) deemed dividends associated with the issuance of the 7.5% Convertible Notes during 2018, in which the Company incurred a consent fee payable to preferred stockholders of $3.8 million (ii) the Insurance segment's purchase of 10,000 shares of the Company's Series A-2 Preferred Stock at a $1.7 million discount during 2019 and (iii) a decrease in the reported preferred stock dividends due to the elimination of the dividends paid on the portion of preferred stock owned by our Insurance segment in consolidation.

Segment Results of Operations

In the Company's 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, (iv) accretion of asset retirement obligations, and (v) 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

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue	$ 713.3	$ 716.4	$ (3.1)
Cost of revenue	572.3	600.4	(28.1)
Selling, general and administrative	79.8	66.9	12.9
Depreciation and amortization	15.5	7.4	8.1
Other operating (income) expense	0.6	(0.2)	0.8
Income from operations	$ 45.1	$ 41.9	$ 3.2

Net revenue: Net revenue from our Construction segment for the year ended December 31, 2019 decreased $3.1 million to $713.3 million from $716.4 million for the year ended December 31, 2018. The decrease was primarily driven 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. This was largely offset 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.

Cost of revenue: Cost of revenue from our Construction segment for the year ended December 31, 2019 decreased $28.1 million to $572.3 million from $600.4 million for the year ended December 31, 2018. The decrease was 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. This was partially offset by costs associated with the construction modeling and detailing business as a result of an increase in project work and 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 year ended December 31, 2019 increased $12.9 million to $79.8 million from $66.9 million for the year ended December 31, 2018. The increase was primarily due to headcount-driven increases in salary and benefits and an increase in operating expenses 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 year ended December 31, 2019 increased $8.1 million to $15.5 million from $7.4 million for the year ended December 31, 2018. The increase was due to amortization of intangibles obtained through the acquisition of GrayWolf and assets placed into service in 2019.

Other operating (income) expense: Other operating (income) expense from our Construction segment for the year ended December 31, 2019 decreased by $0.8 million to a loss of $0.6 million from income of $0.2 million for the year ended December 31, 2018. The change was primarily due to the gains and losses on the sale of land and assets in the comparable periods.

Marine Services Segment

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue	$ 172.5	$ 194.3	$ (21.8)
Cost of revenue	127.1	163.0	(35.9)
Selling, general and administrative	25.8	20.2	5.6
Depreciation and amortization	25.7	27.2	(1.5)
Other operating income	—	(0.7)	0.7
Income (loss) from operations	$ (6.1)	$ (15.4)	$ 9.3

Net revenue: Net revenue from our Marine Services segment for the year ended December 31, 2019 decreased $21.8 million to $172.5 million from $194.3 million for the year ended December 31, 2018. The decrease was primarily driven by a decline in the volume of projects under execution across multiple reporting lines, including power cable repair in offshore renewables, telecom installation work, and a reduction in CWind Group revenue due to focusing on a mix of more profitable projects.

Cost of revenue: Cost of revenue from our Marine Services segment for the year ended December 31, 2019 decreased $35.9 million to $127.1 million from $163.0 million for the year ended December 31, 2018. The decrease was driven by the reduction in revenue, improved vessel utilization, and higher than expected costs on a certain power construction project in the comparable period that were not repeated.

Selling, general and administrative: Selling, general and administrative expenses from our Marine Services segment for the year ended December 31, 2019 increased $5.6 million to $25.8 million from $20.2 million for the year ended December 31, 2018. The increase was primarily due to higher disposition costs in the fourth quarter of 2019 related to the sale of the Marine Services segment. This was partially offset by a reversal of an accrual of bad debt expense in the current period due to a favorable receivable settlement during the quarter. See Note 24. Subsequent Events for the summary of the subsequent events.

Depreciation and amortization: Depreciation and amortization from our Marine Services segment for the year ended December 31, 2019 decreased $1.5 million to $25.7 million from $27.2 million for the year ended December 31, 2018. The decrease was largely attributable to the disposal of assets during the year.

Other operating income: Other operating income decreased $0.7 million from $0.7 million of income for the year ended December 31, 2018, as a result of an impairment expense recorded in 2019 due to the under-utilization of assets on one of the segment's barges.

Energy Segment

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue	$ 39.0	$ 20.7	$ 18.3
Cost of revenue	17.1	11.2	5.9
Selling, general and administrative	4.9	4.0	0.9
Depreciation and amortization	6.9	5.5	1.4
Other operating expense	—	0.5	(0.5)
Income (loss) from operations	$ 10.1	$ (0.5)	$ 10.6

Net revenue: Net revenue from our Energy segment for the year ended December 31, 2019 increased $18.3 million to $39.0 million from $20.7 million for the year ended December 31, 2018. The increase was primarily driven by the AFTC related to the 2018 and 2019 CNG sales that was recognized in the fourth quarter of 2019, inclusive of prior period AFTC at the acquired ampCNG stations which was also recognized in 2019. The increase was also driven by higher volume-related revenues from the recent acquisition of the ampCNG stations and growth in CNG sales volumes.

Cost of revenue: Cost of revenue from our Energy segment for the year ended December 31, 2019 increased $5.9 million to $17.1 million from $11.2 million for the year ended December 31, 2018. The increase was due to overall growth in volumes of gasoline gallons delivered and higher commodity and utility costs driven by the acquisition of ampCNG stations.

Selling, general and administrative: Selling, general and administrative expenses from our Energy segment for the year ended December 31, 2019 increased $0.9 million to $4.9 million from $4.0 million for the year ended December 31, 2018. The increase was driven by an increase in salaries and benefits largely due to the of the acquisition of ampCNG stations, which were acquired late in the second quarter of 2019, partially offset by a one-time expense in the prior year related to the abandonment of a station development project.

Depreciation and amortization: Depreciation and amortization from our Energy segment for the year ended December 31, 2019 increased $1.4 million to $6.9 million from $5.5 million for the year ended December 31, 2018. The increase was due to additional depreciation and amortization from the recent acquisition of ampCNG stations.

Other operating expense: Other operating expense from our Energy segment was a loss of $0.5 million for the year ended December 31, 2018, driven by impairment of certain stations during the fourth quarter of 2018.

Telecommunications Segment

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue	$ 696.1	$ 793.6	$ (97.5)
Cost of revenue	684.9	779.1	(94.2)
Selling, general and administrative	8.2	9.4	(1.2)
Depreciation and amortization	0.3	0.3	—
Other operating expense	4.5	—	4.5
Income (loss) from operations	$ (1.8)	$ 4.8	$ (6.6)

Net revenue: Net revenue from our Telecommunications segment for the year ended December 31, 2019 decreased $97.5 million to $696.1 million from $793.6 million for the year ended December 31, 2018. The decrease 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 year ended December 31, 2019 decreased $94.2 million to $684.9 million from $779.1 million for the year ended December 31, 2018. The decrease was 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 year ended December 31, 2019 decreased $1.2 million to $8.2 million from $9.4 million for the year ended December 31, 2018. The decrease was primarily due to a decrease in compensation expense due to headcount decreases and reductions in bad debt expense.

Other operating expense: $4.5 million of other operating expense for the year ended December 31, 2019 was driven by impairment of goodwill as a result of declining performance at the segment.

Insurance Segment

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Life, accident and health earned premiums, net	$ 116.8	$ 94.4	$ 22.4
Net investment income	212.9	117.1	95.8
Net realized and unrealized gains on investments	1.9	5.6	(3.7)
Net revenue	331.6	217.1	114.5
Policy benefits, changes in reserves, and commissions	234.4	197.3	37.1
Selling, general and administrative	35.7	30.4	5.3
Depreciation and amortization	(23.1)	(12.4)	(10.7)
Other operating expense	47.3	—	47.3
Income from operations [(1)]	$ 37.3	$ 1.8	$ 35.5

[(1)] The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2019 and 2018. Such adjustments are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

Life, accident and health earned premiums, net: Life, accident and health earned premiums, net from our Insurance segment for the year ended December 31, 2019 increased $22.4 million to $116.8 million from $94.4 million for the year ended December 31, 2018. The increase was primarily due to the premiums generated from the acquisition of KIC in 2018.

Net investment income: Net investment income from our Insurance segment for the year ended December 31, 2019 increased $95.8 million to $212.9 million from $117.1 million for the year ended December 31, 2018. The increase was 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 higher-yielding investments.

Net realized and unrealized gains on investments: Net realized and unrealized gains on investments from our Insurance segment for the year ended December 31, 2019 decreased $3.7 million to $1.9 million from $5.6 million for the year ended December 31, 2018. The decrease was driven by smaller realized gains on bonds and common stocks, higher impairments, and losses on fair value changes on interest only bonds in 2019. The decrease was offset by overall improvement in fair value changes in equity securities and realized gains on mortgage loans in 2019.

Policy benefits, changes in reserves, and commissions: Policy benefits, changes in reserves, and commissions from our Insurance segment for the year ended December 31, 2019 increased $37.1 million to $234.4 million from $197.3 million for the year ended December 31, 2018. The increase was primarily driven by KIC, which generated policy benefits, changes in reserves, and commissions in the current year but was present for a shorter duration in 2018 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 year ended December 31, 2019 increased $5.3 million to $35.7 million from $30.4 million for the year ended December 31, 2018. The increase was driven by higher headcount, accounting, and consulting fees associated with the acquisition of KIC offset by a reduction in legal fees.

Depreciation and amortization: Depreciation and amortization from our Insurance segment for the year ended December 31, 2019 increased $10.7 million to $23.1 million from $12.4 million for the year ended December 31, 2018. The increase was driven by the increase in negative VOBA amortization largely due to the KIC acquisition. Amortization of negative VOBA reflects an increase to net income.

Other operating expense: $47.3 million of other operating expense for the year ended December 31, 2019 was driven by impairment of goodwill in the fourth quarter of 2019. The Insurance segment's operating entity, CGI, had a book value at December 31, 2019 of $503.6 million, inclusive of $198.9 million of AOCI. The increase in 2019 was largely driven by current year net income of $98.7 million, before the impact of the goodwill impairment, and an increase in AOCI of $288.0 million from December 31, 2018.

There were several factors that occurred in the fourth quarter of 2019, which impacted the fair value of the Insurance segment, primarily with respect to the future of the management fee agreement, along with our expectations of future dividends, after recent and ongoing discussions with our domestic regulator. While these factors do not have a major impact on the operations of the business, they do impact the ability to capture the value which is effectively trapped in the Insurance company.

As a result of the factors described above, our book value at CGI exceeded fair value, and the Company recognized a goodwill impairment charge of $47.3 million at our Insurance segment. Net income of CGI, after the impact of the goodwill impairment was $51.4 million for the year ended December 31, 2019. At December 31, 2019, after the impact of the goodwill impairment, the book value of CGI was $456.3 million, and we would expect additional book losses to the extent CGI is sold in the future.

Life Sciences Segment

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Selling, general and administrative	$ 8.6	$ 13.6	$ (5.0)
Depreciation and amortization	0.3	0.2	0.1
Loss from operations	$ (8.9)	$ (13.8)	$ 4.9

Selling, general and administrative: Selling, general and administrative expenses from our Life Sciences segment for the year ended December 31, 2019 decreased $5.0 million to $8.6 million from $13.6 million for the year ended December 31, 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. The decrease was also due to a reduction in costs associated with the sale of BeneVir in the second quarter of 2018.

Broadcasting

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Net revenue	$ 41.8	$ 45.4	$ (3.6)
Cost of revenue	23.5	28.5	(5.0)
Selling, general and administrative	26.4	37.3	(10.9)
Depreciation and amortization	6.3	3.3	3.0
Other operating (income) expense	(3.0)	0.3	(3.3)
Loss from operations	$ (11.4)	$ (24.0)	$ 12.6

Net revenue: Net revenue from our Broadcasting segment for the year ended December 31, 2019 decreased $3.6 million to $41.8 million from $45.4 million for the year ended December 31, 2018. During the second half of 2018, the Broadcasting segment undertook targeted cost cutting measures, primarily at HC2 Network Inc. ("Network") where Broadcasting exited certain local business operations and made strategic changes to the programming mix. The decrease in net revenue was primarily due to lower local advertising sales as a result of such restructuring. This was partially offset by higher broadcast stations revenue associated with stations acquired during and subsequent to the comparable period.

Cost of revenue: Cost of revenue from our Broadcasting segment for the year ended December 31, 2019 decreased $5.0 million to $23.5 million from $28.5 million for the year ended December 31, 2018. The overall decrease was primarily driven by a reduction in audience measurement costs as a result of the exit of certain local markets which were unprofitable at Network and a decrease in programming costs due to changes in the programming mix referenced above, partially offset by higher cost of revenues associated with the growth of the Broadcast stations subsequent to the prior year.

Selling, general and administrative: Selling, general and administrative expenses from our Broadcasting segment for the year ended December 31, 2019 decreased $10.9 million to $26.4 million from $37.3 million for the year ended December 31, 2018. The decrease was primarily due to a reduction in compensation costs, mainly driven by the cost cutting measures discussed above and lower legal expenses related to elevated acquisition-related expenses incurred in the prior period.

Depreciation and amortization: Depreciation and amortization from our Broadcasting segment for the year ended December 31, 2019 increased $3.0 million to $6.3 million from $3.3 million for the year ended December 31, 2018. The increase was 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 year ended December 31, 2019 increased $3.3 million to income of $3.0 million from expense of $0.3 million for the year ended December 31, 2018. The increase was driven by reimbursements from the Federal Communications Commission (the “FCC”), partially offset by the impairment of FCC licenses during 2019 resulting from strategic discussions to abandon certain licenses. 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

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Selling, general and administrative	$ 24.9	$ 33.5	$ (8.6)
Depreciation and amortization	0.1	0.1	—
Loss from operations	$ (25.0)	$ (33.6)	$ 8.6

Selling, general and administrative: Selling, general and administrative expenses from our Non-operating Corporate segment for the year ended December 31, 2019 decreased $8.6 million to $24.9 million from $33.5 million for the year ended December 31, 2018. The decrease was driven by reductions in bonus expense, consulting and professional service fees, and employee wage and benefits expenses.

The HC2 Compensation Committee establishes annual salary, cash and equity-based bonus arrangements for certain HC2 executive employees on an annual basis. In determining the amounts payable pursuant to such cash and equity-based bonus arrangements for these employees, the Company has historically measured the growth in the Company’s NAV in accordance with a formula established by HC2’s Compensation Committee ("Compensation NAV") in 2014. The Compensation NAV is generally determined by dividing the end of year Compensation NAV per share by the beginning year Compensation NAV per share and subtracting 1 from this amount (the "NAV Return"), and then subtracting the required threshold return rate from the NAV Return. The hurdle rate has consistently been set at 7%, and the plan allows for the share of up to 12% of growth over and above the hurdle rate.

HC2’s accrual for cash and equity-based bonus arrangements of HC2 executive employees as of December 31, 2019 and 2018 resulted in a $4.4 million decrease in expense recognized. These changes reflect the underlying performance in the Compensation NAV in the respective periods. In 2019 the NAV did not meet the hurdle rate, while in 2018 it grew approximately 21%.

For 2019, Compensation NAV did not meet the hurdle rate, and declined by 26.1%, resulting primarily from external events that occurred in the fourth quarter at our Insurance segment, with respect to our views on the future of the management fee agreement, along with our expectations of future dividends, after recent and ongoing discussions with our domestic regulator.

In accordance with the terms of the plan, this decline in Compensation NAV directly reduces the deferred cash compensation awarded in 2017 and 2018. The total reduction recognized in 2019 was $0.8 million, related to the claw back of a portion of the 2017 and 2018 awards which were unpaid as of December 31, 2019. In addition, the plan requires that future NAV growth continues to be determined using the high water mark based on the beginning Compensation NAV established at the beginning of 2019.

Income from Equity Investees

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Construction	$ —	$ (0.2)	$ 0.2
Marine Services	5.6	19.7	(14.1)
Life Sciences	(3.4)	(4.0)	0.6
Other	—	(0.1)	0.1
Income from equity investees	$ 2.2	$ 15.4	$ (13.2)

Marine Services: Income from equity investees within our Marine Services segment for the year ended December 31, 2019 decreased $14.1 million to $5.6 million from $19.7 million for the year ended year ended December 31, 2018. The decrease was driven by HMN, due to lower revenues on large turnkey projects underway than in the comparable period. The equity investment in HMN has contributed $5.0 million and $12.7 million in income from equity investees for the years ended December 31, 2019 and 2018, respectively. Further contributing to the reduction in income were losses at SBSS from a loss contingency related to ongoing legal disputes and lower vessel utilization.

Life Sciences: Loss from equity investees within our Life Sciences segment for the year ended December 31, 2019 decreased $0.6 million to $3.4 million from $4.0 million for the year ended December 31, 2018. The decrease in losses were largely due to lower equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials and revenue from a licensing agreement which did not occur in the comparable periods.

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, and FCC reimbursements; asset impairment expense, 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)	Year ended December 31, 2019								
		Core Operating Subsidiaries			Early Stage & Other				
	Construction	Marine Services	Energy	Telecom	Life Sciences	Broadcasting	Other and Elimination	Non-operating Corporate	HC2
Net loss attributable to HC2 Holdings, Inc.									$ (31.5)
Less: Net Income attributable to HC2 Holdings Insurance segment									59.4
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment									(8.9)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	$ 24.7	$ (2.6)	$ 4.2	$ (1.4)	$ (0.2)	$ (18.5)	$ (0.6)	$ (87.6)	$ (82.0)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:									
Depreciation and amortization	15.5	25.7	6.9	0.3	0.3	6.3	—	0.1	55.1
Depreciation and amortization (included in cost of revenue)	9.1	—	—	—	—	—	—	—	9.1
Amortization of equity method fair value adjustment at acquisition	—	(1.5)	—	—	—	—	—	—	(1.5)
Asset impairment expense	—	0.6	—	4.5	—	2.6	—	—	7.7
Other operating (income) expenses	0.5	(0.6)	—	—	—	(5.5)	—	—	(5.6)
Interest expense	9.3	4.7	3.5	—	—	9.6	—	68.4	95.5
Other (income) expense, net	(1.6)	(0.8)	1.3	—	(8.6)	2.7	0.6	2.3	(4.1)
Net loss (gain) on contingent consideration	—	—	—	(0.4)	—	—	—	—	(0.4)
Foreign currency (gain) loss (included in cost of revenue)	—	0.4	—	—	—	—	—	—	0.4
Income tax (benefit) expense	10.9	(0.4)	(0.8)	—	—	(1.5)	—	(8.1)	0.1
Noncontrolling interest	2.0	(1.2)	1.8	—	(3.4)	(3.8)	—	—	(4.6)
Share-based payment expense	—	1.6	—	—	0.1	0.6	—	5.5	7.8
Non-recurring items	—	—	—	—	—	—	—	—	—
Acquisition and disposition costs	5.3	4.8	0.1	0.4	—	1.2	—	1.5	13.3
Adjusted EBITDA	$ 75.7	$ 30.7	$ 17.0	$ 3.4	$ (11.8)	$ (6.3)	$ —	$ (17.9)	$ 90.8
Total Core Operating Subsidiaries	$ 126.8								

(in millions)	Year ended December 31, 2018								
		Core Operating Subsidiaries			Early Stage & Other				
	Construction	Marine Services	Energy	Telecom	Life Sciences	Broadcasting	Other and Elimination	Non-operating Corporate	HC2
Net Income attributable to HC2 Holdings, Inc.									$ 162.0
Less: Net Income attributable to HC2 Holdings Insurance segment									165.2
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment									19.2
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 27.7	$ 0.3	$ (0.9)	$ 4.6	$ 65.2	$ (34.5)	$ (2.9)	$ (81.9)	$ (22.4)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:									
Depreciation and amortization	7.4	27.2	5.5	0.3	0.2	3.3	0.1	0.1	44.1
Depreciation and amortization (included in cost of revenue)	7.0	—	—	—	—	—	—	—	7.0
Amortization of equity method fair value adjustment at acquisition	—	(1.5)	—	—	—	—	—	—	(1.5)
Asset impairment expense	—	—	0.7	—	—	0.3	—	—	1.0
Other operating (income) expenses	(0.2)	(0.7)	(0.2)	—	—	—	—	—	(1.1)
Interest expense	2.6	4.8	1.6	—	—	9.5	—	57.1	75.6
Loss on early extinguishment or restructuring of debt	—	—	—	—	—	2.6	—	2.5	5.1
Net loss (gain) on contingent consideration	—	0.8	—	—	—	—	—	—	0.8
Other (income) expense, net	(2.6)	(1.8)	0.3	0.1	—	1.5	4.6	(4.8)	(2.7)
Gain on sale and deconsolidation of subsidiary	—	—	—	—	(102.1)	—	(1.6)	—	(103.7)
Foreign currency (gain) loss (included in cost of revenue)	—	0.1	—	—	—	—	—	—	0.1
Income tax (benefit) expense	11.9	0.2	(1.1)	—	—	(1.0)	(1.6)	(6.6)	1.8
Noncontrolling interest	2.2	—	(0.4)	—	19.1	(1.9)	(1.1)	—	17.9
Bonus to be settled in equity	—	—	—	—	—	—	—	2.0	2.0
Share-based payment expense	—	1.9	—	—	0.2	1.6	0.3	5.0	9.0
Non-recurring items	—	—	—	—	—	—	—	—	—
Acquisition and disposition costs	4.9	1.4	—	0.3	2.5	1.7	—	0.7	11.5
Adjusted EBITDA	$ 60.9	$ 32.7	$ 5.5	$ 5.3	$ (14.9)	$ (16.9)	$ (2.2)	$ (25.9)	$ 44.5
Total Core Operating Subsidiaries	104.4								

Construction: Net income from our Construction segment for the year ended December 31, 2019 decreased $3.0 million to $24.7 million from $27.7 million for the year ended December 31, 2018. Adjusted EBITDA from our Construction segment for the year ended December 31, 2019 increased $14.8 million to $75.7 million from $60.9 million for the year ended December 31, 2018. The increase in Adjusted EBITDA was driven by the acquisition of GrayWolf.

Marine Services: Net income (loss) from our Marine Services segment for the year ended December 31, 2019 decreased $2.9 million to a loss of $2.6 million from income of $0.3 million for the year ended December 31, 2018. Adjusted EBITDA from our Marine Services segment for the year ended December 31, 2019 decreased $2.0 million to $30.7 million from $32.7 million for the year ended December 31, 2018. The decrease in Adjusted EBITDA was driven by a decline in income from equity method investees, due to HMN driven by lower revenues on large turnkey projects underway than in the comparable period, and losses at SBSS from a loss contingency related to ongoing legal disputes and lower vessel utilization. Largely offsetting these losses was higher 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.

Energy: Net income (loss) from our Energy segment for the year ended December 31, 2019 increased by $5.1 million to income of $4.2 million from a loss of $0.9 million for the year ended December 31, 2018. Adjusted EBITDA from our Energy segment for the year ended December 31, 2019 increased $11.5 million to $17.0 million from $5.5 million for the year ended December 31, 2018. The increase in Adjusted EBITDA was primarily driven by the AFTC recognized in the fourth quarter of 2019 attributable to 2018 and 2019 and higher volume-related revenues from the recent acquisition of the ampCNG stations and growth in CNG sales volumes. The increase was also driven by Partially offsetting these increases were higher selling, general and administrative expenses as a result of the acquisition of the ampCNG stations.

Telecommunications: Net income (loss) from our Telecommunications segment for the year ended December 31, 2019 decreased by $6.0 million to a loss of $1.4 million from income of $4.6 million for the year ended December 31, 2018. Adjusted EBITDA from our Telecommunications segment for the year ended December 31, 2019 decreased $1.9 million to $3.4 million from $5.3 million for the year ended December 31, 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 income (loss) from our Life Sciences segment for the year ended December 31, 2019 decreased $65.4 million to a loss of $0.2 million from income of $65.2 million for the year ended December 31, 2018. Adjusted EBITDA loss from our Life Sciences segment for the year ended December 31, 2019 decreased $3.1 million to $11.8 million from $14.9 million for the year ended December 31, 2018. The decrease in Adjusted EBITDA loss was primarily 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. The decrease was also due to a reduction in costs associated BeneVir, which was sold in the second quarter of 2018.

Broadcasting: Net loss from our Broadcasting segment for the year ended December 31, 2019 decreased $16.0 million to $18.5 million from $34.5 million for the year ended December 31, 2018. Adjusted EBITDA loss from our Broadcasting segment for the year ended December 31, 2019 decreased $10.6 million to $6.3 million from $16.9 million for the year ended December 31, 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.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the year ended December 31, 2019 increased $5.7 million to $87.6 million from $81.9 million for the year ended December 31, 2018. Adjusted EBITDA loss from our Non-operating Corporate segment for the year ended December 31, 2019 decreased $8.0 million to $17.9 million from $25.9 million for the year ended December 31, 2018. The decrease in Adjusted EBITDA loss was primarily attributable to reductions in bonus expense and other general and administrative expenses as previously described.

(in millions):	Year ended December 31,		
	2019	2018	Increase / (Decrease)
Construction	$ 75.7	$ 60.9	$ 14.8
Marine Services	30.7	32.7	(2.0)
Energy	17.0	5.5	11.5
Telecommunications	3.4	5.3	(1.9)
Total Core Operating Subsidiaries	126.8	104.4	22.4
Life Sciences	(11.8)	(14.9)	3.1
Broadcasting	(6.3)	(16.9)	10.6
Other and Eliminations	—	(2.2)	2.2
Total Early Stage and Other	(18.1)	(34.0)	15.9
Non-Operating Corporate	(17.9)	(25.9)	8.0
Adjusted EBITDA	$ 90.8	$ 44.5	$ 46.3

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 Pretax 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 for the Insurance segment adjusted to exclude the impact of net investment gains (losses), including OTTI losses recognized in operations; asset impairment; intercompany elimination; gain on bargain purchase, gain on reinsurance recaptures; 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 (loss) 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:

	Year ended December 31,		
	2019	2018	Increase / (Decrease)
Net income - Insurance segment	$ 59.4	$ 165.2	$ (105.8)
Effect of investment (gains) [1]	(1.9)	(5.6)	3.7
Asset impairment expense	47.3	—	47.3
Gain on bargain purchase	(1.1)	(115.4)	114.3
Gain on reinsurance recaptures	—	(47.0)	47.0
Acquisition costs	2.1	2.8	(0.7)
Insurance AOI	105.8	—	105.8
Income tax expense (benefit)	(20.1)	0.6	(20.7)
Pre-tax Insurance AOI	$ 85.7	$ 0.6	$ 85.1

[1] The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 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 year ended December 31, 2019 decreased $105.8 million to $59.4 million from $165.2 million for the year ended December 31, 2018. Pre-tax Insurance AOI for the year ended December 31, 2019 increased $85.1 million to $85.7 million from $0.6 million for year ended December 31, 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 December 31, 2019, DBMG's backlog was $497.7 million, consisting of $329.7 million under contracts or purchase orders and $168.0 million under letters of intent or notices to proceed. Approximately $147.6 million, representing 29.7% of DBMG’s backlog at December 31, 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.

DBMG's backlog at December 31, 2018 was $528.5 million, consisting of $420.8 million under contracts or purchase orders and $107.7 million under letters of intent or notices to proceeds.

Marine Services Segment

At December 31, 2019, GMSL's backlog stood at $377.4 million, inclusive of $296.1 million of signed contracts and customer-approved change orders and $81.3 million of on-site repair estimates associated with its long-term maintenance contracts. Approximately $277.7 million. representing 73.6% of GMSL's backlog at December 31, 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.

At December 31, 2018, GMSL's backlog stood at $483.4 million, inclusive of $393.0 million of signed contracts and customer-approved change orders and $90.4 million of on-site repair estimates associated with its long-term maintenance contracts.

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 (each as defined below), dividend payments on its Preferred Stock and recurring operational expenses.

As of December 31, 2019, the Company had $239.0 million of cash and cash equivalents compared to $325.0 million as of December 31, 2018. On a stand-alone basis, as of December 31, 2019, HC2 had cash and cash equivalents of $11.6 million compared to $6.5 million at December 31, 2018. At December 31, 2019, cash and cash equivalents in our Insurance segment was $170.5 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 December 31, 2019, the Company had $870.7 million of indebtedness on a consolidated basis compared to $781.0 million as of December 31, 2018. On a stand-alone basis, as of December 31, 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 $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 15^{th}, April 15^{th}, July 15^{th}, and October 15^{th} of each year.

HC2 received $39.8 million, $16.3 million, and $1.0 million in dividends and tax share from its Construction, Telecommunications and Life Sciences segments during the year ended December 31, 2019.

HC2 received $11.5 million in net management fees during the year ended December 31, 2019, related to fees earned in the fourth quarter of 2018 and 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. In the future, 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.

Capital Expenditures

Capital expenditures for the years ended December 31, 2019 and 2018 are set forth in the table below (in millions):

	Years Ended December 31,	
	2019	2018
Construction	$ 9.8	$ 14.9
Marine Services	15.6	21.7
Energy	1.1	1.5
Telecommunications	—	0.1
Insurance	0.6	0.3
Life Sciences	0.1	—
Broadcasting	14.2	1.1
Non-operating Corporate	—	0.1
Total	$ 41.4	$ 39.7

Indebtedness

Non-Operating Corporate

In November 2018, the Company repaid its 11.0% Notes, and issued $470.0 million aggregate principal amount of 11.5% senior secured notes due 2021 (the "Secured Notes") and $55.0 million aggregate principal amount of 7.5% convertible senior notes due 2022 (the "Convertible Notes"). In April 2019, HC2 entered into a $15.0 million secured revolving credit agreement (the "Revolving Credit Agreement") with MSD PCOF Partners IX, LLC.

Senior Secured Notes Terms and Conditions

Maturity. The Secured Notes mature on December 1, 2021.

Interest. The Secured Notes accrue interest at a rate of 11.500% per year. Interest on the Secured Notes is paid semi-annually on December 1 and June 1 of each year.

Issue Price. The issue price of the Secured Notes is 98.75% of par.

Ranking. The notes and the note guarantees are the Company's and certain of its direct and indirect domestic subsidiaries' (the "Subsidiary Guarantors") general senior secured obligations. The notes and the note guarantees will rank: (i) senior in right of payment to all of the Company's and the Subsidiary Guarantors' future subordinated debt; (ii) equal in right of payment, subject to the priority of any First-Out Obligations (as defined in the Secured Indenture), with all of the Company's and the Subsidiary Guarantors' existing and future senior debt and effectively senior to all of its and the Subsidiary Guarantor's unsecured debt to the extent of the value of the collateral; and (iii) effectively subordinated to all liabilities of its non-guarantor subsidiaries. The notes and the note guarantees are secured on a first-priority basis by substantially all of the Company's assets and the assets of the Subsidiary Guarantors, subject to certain exceptions and permitted liens.

Collateral. The Secured Notes are secured by a first priority lien on substantially all of the Company's assets (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the Secured Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary) and the related rights and privileges associated therewith (but excluding Equity Interests of Insurance Subsidiaries (as defined in the Secured Indenture), to the extent the pledge thereof is deemed a "change of control" under applicable insurance regulations);
- all equipment, goods and inventory owned by the Company or a Subsidiary Guarantor;
- all cash and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;
- all general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

The Secured Indenture permits the Company, under specified circumstances, to incur additional debt in the future that could equally and ratably share in the collateral. The amount of such debt is limited by the covenants contained in the Secured Indenture.

Events of Default. The Secured Indenture contains customary events of default which could, subject to certain conditions, cause the Secured Notes to become immediately due and payable.

<u>*Convertible Notes Terms and Conditions*</u>

Certain terms and conditions of the Convertible Notes are as follows:

Maturity. The Convertible Notes mature on June 1, 2022 unless earlier converted, redeemed or purchased.

Interest. The Convertible Notes accrue interest at a rate of 7.5% per year. Interest on the Convertible Notes is paid semi-annually on December 1 and June 1 of each year.

Issue Price. The issue price of the Convertible Notes is 100% of par.

Ranking. The notes are the Company's general unsecured and unsubordinated obligations and will rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated indebtedness, and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to all of the Company's existing and future secured indebtedness, including the Company's Secured Notes being offered concurrently herewith, to the extent of the value of the collateral securing that indebtedness, and structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries, including trade credit.

Optional Redemption. The Company may not redeem the notes prior to June 1, 2020. On or after June 1, 2020, the Company may redeem for cash all of the notes if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (which need not be consecutive trading days) during any 30 consecutive trading-day period ending within five trading days prior to the date on which the Company provides notice of redemption. The redemption price will equal 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date.

Conversion Rights. The Convertible Notes are convertible into shares of the Company's common stock based on an initial conversion rate of 228.3105 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $4.38 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of $1,000 or an integral multiple of $1,000 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the Convertible Indenture) or the Company's delivery of a notice of redemption for the Convertible Notes, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption. However, to comply with certain listing standards of The New York Stock Exchange, the Company will settle in cash its obligation to increase the conversion rate in connection with a Make-Whole Fundamental Change or redemption until it has obtained the requisite stockholder approval.

Events of Default. The Convertible Indenture contains customary events of default which could, subject to certain conditions, cause the Convertible Notes to become immediately due and payable.

Revolving Credit Agreement

Lender. MSD PCOF Partners IX, LLC (“MSD”)

Ranking. Obligations under the Revolving Credit Agreement constitute a First-Out Debt, as defined in the Senior Indenture, and are secured on a pari passu basis with the Secured Notes.

Collateral: As provided under a Collateral Trust Joinder, the lender was added as a secured party to the Collateral Trust Agreement, and accordingly the pari passu obligations and commitments under the Credit Agreement are secured equally and ratably by the collateral of the Secured Notes.

Construction

The Wells Fargo Facility and the TCW Loan associated with our Construction segment contain customary restrictive and financial covenants related to debt levels and performance. As of December 31, 2019, DBMG was in compliance with all of the financial covenants to its debt agreements.

See Note 14. Debt Obligations to the Consolidated Financial Statements for additional details regarding the Company's indebtedness.

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 December 31, 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 December 31, 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 December 31, 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. As of December 31, 2019 the Company was in compliance.

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 periods 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 or used in our activities and the amount of the respective changes between the periods (in millions):

	Years Ended December 31,		
	2019	2018	Increase / (Decrease)
Operating activities	$ 110.5	$ 341.4	$ (230.9)
Investing activities	(263.7)	(224.6)	(39.1)
Financing activities	62.4	115.2	(52.8)
Effect of exchange rate changes on cash and cash equivalents	1.0	(0.5)	1.5
Net decrease in cash,cash equivalents and restricted cash	$ (89.8)	$ 231.5	$ (321.3)

Operating Activities

Cash provided by operating activities was $110.5 million for the year ended December 31, 2019 as compared to cash provided by operating activities of $341.4 million for the year ended December 31, 2018. The $230.9 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, significant reduction of losses at the Broadcasting segment driven by the cost cutting measures, and an increase in the working capital at our Telecommunications segments.

Investing Activities

Cash used in investing activities was $263.7 million for the year ended December 31, 2019 as compared to cash used in investing activities of $224.6 million for the year ended December 31, 2018. The $39.1 million increase in cash used was a result of (i) an increase in net cash spent at our Insurance segment driven by purchases of investments from the residual cash received from the KIC acquisition and reinsurance recaptures in 2018, (ii) a decrease in cash proceeds received at our Life Sciences segment, from the 2018 upfront payment and 2019 escrow release related to the sale of BeneVir in the prior period, and (iii) an increase in cash used at our Energy segment to acquire ampCNG stations in 2019. These decreases were largely offset by a reduction in cash used by our Construction segment, driven by the acquisition of GrayWolf in 2018, and a reduction in cash used by our Broadcasting segment as less cash was used on its acquisitions in the current year compared to 2018.

This was largely offset by a reduction in net cash used by the Insurance segment's purchases of investments, as in the prior period the Insurance segment purchased investments from the cash received from the acquisition of KIC.

Financing Activities

Cash provided by financing activities was $62.4 million for the year ended December 31, 2019 as compared to $115.2 million for the year ended December 31, 2018. The $52.8 million decrease was a result of a decrease in net borrowings by the Construction and Broadcasting segments, and offset in part by the increase in net borrowings by the Energy segment and Corporate 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):

	December 31, 2019		December 31, 2018	
	Measurement Alternative	Equity Method	Measurement Alternative	Equity Method
Common stock	$ —	$ 2.4	$ —	$ 2.1
Preferred stock	—	16.1	1.6	9.6
Other	—	66.5	—	59.2
Total	$ —	$ 85.0	$ 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 receivables, 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 December 31, 2019 debt balance, DBMG anticipates that its interest payments will be approximately $2.0 million each quarter of 2020.

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 receivables, 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 December 31, 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 maximum amount of dividends which can be paid to stockholders by life insurance companies domiciled in the State of Texas without prior approval of the Insurance Commissioner is the greater of 10% of surplus as regards to policyholders or net gain on operations as of the preceding year end, but only to the extent of earned surplus as of the preceding year end. The maximum amount of dividends payable in 2019 and 2018 without prior approval was $0 based on statutory earned deficit.

In addition to the limitations noted above, laws and regulations require, among other items, that the CIG’s insurance subsidiary maintain minimum solvency requirements, which may 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, 2019, CIG’s insurance subsidiary exceeded the minimum RBC requirements.

Insurance Companies Capital Contributions

The Company has an agreement with the Texas Department of Insurance (“TDOI”) 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 TDOI 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 TDOI 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 TDOI).

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 giving consideration to 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 December 31, 2019 and December 31, 2018, CIG's investment portfolio is comprised of the following (in millions):

	December 31, 2019		December 31, 2018	
	Fair Value	Percent	Fair Value	Percent
U.S. Government and government agencies	$ 7.7	0.2 %	$ 25.4	0.7 %
States, municipalities and political subdivisions	440.1	9.9 %	421.9	11.0 %
Residential mortgage-backed securities	66.9	1.5 %	94.4	2.5 %
Commercial mortgage-backed securities	109.4	2.5 %	93.9	2.5 %
Asset-backed securities	577.8	13.1 %	511.5	13.4 %
Corporate and other [*]	2,866.8	64.8 %	2,250.5	58.8 %
Common stocks [*]	25.6	0.6 %	25.5	0.7 %
Perpetual preferred stocks	118.9	2.7 %	240.9	6.3 %
Mortgage loans	183.5	4.1 %	137.6	3.6 %
Policy loans	19.1	0.4 %	19.8	0.5 %
Other invested assets	7.2	0.2 %	—	— %
Total	$ 4,423.0	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):

	December 31, 2019		December 31, 2018	
	Fair Value	Percent	Fair Value	Percent
AAA, AA, A	$ 1,954.9	48.1 %	$ 1,742.4	51.4 %
BBB	1,834.5	45.1 %	1,444.1	42.5 %
Total investment grade	3,789.4	93.2 %	3,186.5	93.9 %
BB	210.7	5.2 %	143.8	4.2 %
B	18.0	0.4 %	14.7	0.4 %
CCC, CC, C	37.9	0.9 %	44.4	1.3 %
D	12.7	0.3 %	8.2	0.2 %
Total non-investment grade	279.3	6.8 %	211.1	6.1 %
Total	$ 4,068.7	100.0 %	$ 3,397.6	100.0 %

Off-Balance Sheet Arrangements

In September 2018, the Company 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 of the shared space leased by Harbinger Capital Partners ("HCP"), a related party, as disclosed in Note. 21. Related Parties. With the adoption of ASC 842, as of January 1, 2019, this lease was recognized as a right of use asset and lease liability on the Consolidated Balance Sheets.

DBMG's off-balance sheet arrangements at December 31, 2019 included letters of credit of $9.1 million under Credit and Security Agreements and performance bonds of $106.0 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.

New Accounting Pronouncements

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

Critical Accounting Policies

The preparation of financial statements in accordance with generally accepted accounting principles in the U.S. GAAP requires the use of estimates and assumptions that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental disclosures including information about contingencies, risk and financial condition.

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties and potentially yield materially different results under different assumptions or conditions. Given current facts and circumstances, we believe that our estimates and assumptions are reasonable, adhere to GAAP and are consistently applied. Our selection and disclosure of our critical accounting policies and estimates has been reviewed with our Audit Committee. Following is a review of the more significant assumptions and estimates and the accounting policies and methods used in the preparation of our consolidated financial statements. For all of these estimates, we caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. See Note 2. Summary of Significant Accounting Policies, to the Notes to Consolidated Financial Statements which discusses the significant accounting policies that we have adopted.

Fair Value Measurements

In determining the estimated fair value of our investments, fair values are based on unadjusted quoted prices for identical investments in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical investments, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the estimated fair value of investments. The methodologies, assumptions and inputs utilized are described in Note 2. Summary of Significant Accounting Policies. Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Our ability to sell investments, or the price ultimately realized for investments, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain investments.

Valuation of fixed maturity securities

Fixed maturity securities are classified as available for sale and are carried at fair value with changes in fair value recorded in accumulated other comprehensive income (loss) within stockholders' equity. Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date.

Determining fair value for a financial instrument requires management judgment. The degree of judgment involved generally correlates to the level of pricing readily observable in the markets. Financial instruments with quoted prices in active markets or with market observable inputs to determine fair value, such as public securities, generally require less judgment. Conversely, private placements including more complex securities that are traded infrequently are typically measured using pricing models that require more judgment as to the inputs and assumptions used to estimate fair value. There may be a number of alternative inputs to select based on an understanding of the issuer, the structure of the security and overall market conditions. In addition, these factors are inherently variable in nature as they change frequently in response to market conditions. See Note 6. Fair Value of Financial Instruments for a discussion of our fair value measurements, the procedures performed by management to determine that the amounts represent appropriate estimates.

Typically, the most significant input in the measurement of fair value is the market interest rate used to discount the estimated future cash flows of the instrument. Such market rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities, based on the credit quality, industry and structure of the asset.

Assessment of "other-than-temporary" impairments on fixed maturity securities

Certain fixed maturity securities with a fair value below amortized cost are carried at fair value with changes in fair value recorded in accumulated other comprehensive income. For these investments, we have determined that the decline in fair value below its amortized cost is temporary. To make this determination, we evaluated the expected recovery in value and our intent to sell or the likelihood of a required sale of the fixed maturity prior to an expected recovery. In making this evaluation, we considered a number of general and specific factors including the regulatory, economic and market environments, length of time and severity of the decline, and the financial health and specific near term prospects of the issuer.
If we subsequently determine that the excess of amortized cost over fair value is other-than-temporary for any or all of these fixed maturity securities, the amount recorded in accumulated other comprehensive income would be reclassified to stockholders' net income as an impairment loss.

Income Taxes

Our annual tax rate is based on our income, statutory tax rates, exchange rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions including evaluating uncertainties under ASC 740.

We review our tax positions quarterly and adjust the balances as new information becomes available. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. To provide insight, we use our historical experience and our short and long-range business forecasts. We believe it is more likely than not that a portion of the deferred income tax assets may expire unused and have established a valuation allowance against them. Although realization is not assured for the remaining deferred income tax assets, we believe it is more likely than not the deferred tax assets will be fully recoverable within the applicable statutory expiration periods. However, deferred tax assets could be reduced in the near term if our estimates of taxable income are significantly reduced. See Note 16. Income Taxes, to the "Notes to Consolidated Financial Statements" for further information.

Goodwill and Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized but rather are tested at least annually for impairment, or more often if events or changes in circumstances indicate that more likely than not the carrying amount of the asset may not be recoverable. Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill.

We may elect not to perform the qualitative assessment for some or all reporting units and perform a two-step quantitative impairment test. Fair value is determined based on discounted cash flow analyses. The discounted estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. If the carrying value of the reporting unit exceeds fair value, goodwill is considered impaired. The amount of the impairment is the difference between the carrying value of the goodwill and the "implied" fair value, which is calculated as if the reporting unit had just been acquired and accounted for as a business combination.

The estimates of future cash flows involve considerable management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control, such as capital markets. The actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance, and economic conditions.

See also Note 11. Goodwill and Intangibles, net, net, to the Consolidated Financial Statements for additional information on goodwill and intangible assets.

Refer to Note 2. Summary of Significant Accounting Policies for New Accounting Pronouncements to be Adopted Subsequent to December 31, 2019.

Related Party Transactions

For a discussion of our Related Party Transactions, refer to Note 21. Related Parties to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

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 or accessible through our website is not a part of this Annual Report on Form 10-K.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K 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 this Annual Report 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;
- the impact of catastrophic events including natural disasters, pandemic illness and the outbreak of war or acts of terrorism;
- 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 14. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of the independent registered public accounting firm and financial statements listed in the accompanying index are included in Item 15 of this report. See Index to the consolidated financial statements on page F-1 of this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act") 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 December 31, 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 Exchange Act 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 Exchange Act 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.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of the inherent limitations in any internal control, no matter how well designed, misstatements may occur and not be prevented or detected. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting described below was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. This assessment was based on updated criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission Internal Control-Integrated Framework (2013). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Auditor Attestation Report

Our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting, which is on page F-3 of this report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

The information required by Part III will be provided in our definitive proxy statement for our 2020 annual meeting of stockholders ("2020 Proxy Statement"), which is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding this item will be set forth in our 2020 Proxy Statement, including under the captions entitled "Information Regarding Directors", "Analysis of Our Directors in Light of Our Business", "Certain Legal Proceedings Affecting Mr. Falcone", "Code of Conduct", "Section 16(a) Beneficial Ownership Reporting Compliance", "Board Committees" and "Executive Officers", and is incorporated herein by reference.

Code of Conduct

We have adopted a Code of Conduct applicable to all directors, officers and employees, including the CEO, senior financial officers and other persons performing similar functions. The Code of Conduct is a statement of business practices and principles of behavior that support our commitment to conducting business in accordance with the highest standards of business conduct and ethics. Our Code of Conduct covers, among other things, compliance resources, conflicts of interest, compliance with laws, rules and regulations, internal reporting of violations and accountability for adherence to the Code of Conduct. A copy of the Code of Conduct is available under the "Investor Relations-Corporate Governance" section of our website at www.hc2.com. Any amendment of the Code of Conduct or any waiver of its provisions for a director or executive officer must be approved by the Board or a duly authorized committee thereof. We intend to post on our website all disclosures that are required by law or the rules of the NYSE concerning any amendments to, or waivers from, any provision of the Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding this item will be set forth under the captions entitled "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Compensation Tables," and "Employment Arrangements and Potential Payments upon Termination or Change of Control" in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding this item will be set forth under the captions entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding this item will be set forth under the captions entitled "Board of Directors" and "Transactions with Related Persons" in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services will be set forth under the caption entitled "Independent Registered Public Accounting Firm Fees" in our 2020 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *List of Documents Filed*

1) Financial Statements and Schedules

The financial statements as set forth under Item 8 of this Annual Report on Form 10-K are incorporated herein.

2) Financial Statement Schedules

Schedule I - Summary of Investments - Other than Investments in Related Parties
Schedule II - Condensed Financial Information of the Registrant
Schedule III - Supplementary Insurance Information
Schedule IV - Reinsurance
Schedule V - Valuation and Qualifying Accounts

All other schedules have been omitted since they are either not applicable or the information is contained within the accompanying consolidated financial statements.

(b) Exhibit Index

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

Exhibit Number	Description
2.1	Amended and Restated Stock Purchase Agreement, dated as of December 24, 2015, by and among HC2, Continental General Corporation and Great American Financial Resources, Inc. (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on December 28, 2015)(File No. 001-35210).
2.2	Stock Purchase Agreement, dated as of November 6, 2017, by and between Humana, Inc. and Continental General Insurance Company (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on November 7, 2017) (File No. 001-35210).
2.3#	Fourth Amended and Restated Limited Liability Company Agreement of Global Marine Holdings, LLC, dated as of November 30, 2017, by and among Global Marine Holdings, LLC and the Members party thereto (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on November 30, 2017) (File No. 001-35210).
2.4	Agreement and Plan of Merger, by and among DBM Global Inc., DBM Merger Sub, Inc., CB-Horn Holdings, Inc. and Charlesbank Equity Fund VI, Limited Partnership, as Stockholders' Representative, dated as of October 10, 2018 (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
2.5	Amendment No. 1 to Agreement and Plan of Merger, by and among DBM Global Inc., DBM Merger Sub, Inc., CB-Horn Holdings, Inc. and Charlesbank Equity Fund VI, Limited Partnership, as Stockholders' Representative, dated as of November 29, 2018 (incorporated by reference to Exhibit 2.2 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
2.6	Merger Agreement, dated as of May 2, 2018, by and among Janssen Biotech, Inc., Dogfish Merger Sub, Inc., Benevir Biopharm, Inc., and Shareholder Representative Services LLC, as holder representative (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on May 3, 2018) (File No. 001-35210).
2.7*	Share Purchase Agreement dated January 30, 2020, by and among New Saxon 2019 Limited, Trafalgar AcquisitionCo., Ltd. and Global Marine Holdings, Limited (solely for purposes of Section 2.04(a), Section 6.01, Section 6.02, Section 6.03, Section 6.07 and Article X) (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on January 30, 2020) (File No. 001-35210).
3.1	Second Amended and Restated Certificate of Incorporation of HC2 (incorporated by reference to Exhibit 3.1 to HC2's Form 8-A, filed on June 20, 2011) (File No. 001-35210).
3.2	Certificate of Ownership and Merger Merging PTGI Name Change, Inc. into Primus Telecommunications Group, Incorporated (incorporated by reference to Exhibit 3.1 to HC2's Current Report on Form 8-K, filed on October 18, 2013) (File No. 001-35210).
3.3	Certificate of Ownership and Merger Merging HC2 Name Change, Inc. into PTGI Holding, Inc. (incorporated by reference to Exhibit 3.1 to HC2's Current Report on Form 8-K, filed on April 11, 2014) (File No. 001-35210).

Exhibit Number	Description
3.4	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation of HC2 (incorporated by reference to Exhibit 3.1 to HC2’s Current Report on Form 8-K, filed on June 18, 2014) (File No. 001-35210).
3.5	Fourth Amended and Restated By-Laws of HC2 (incorporated by reference to Exhibit 3.1 to HC2's Current Report on Form 8-K, filed on February 25, 2019) (File No. 001-35210).
4.1	Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2 (incorporated by reference to Exhibit 4.2 to HC2’s Current Report on Form 8-K, filed on January 9, 2015) (File No. 001-35210).
4.2	Certificate of Designation of Series A-2 Convertible Participating Preferred Stock of HC2 (incorporated by reference to Exhibit 4.1 to HC2’s Current Report on Form 8-K, filed on January 9, 2015) (File No. 001-35210).
4.3	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2, filed on January 5, 2015 (incorporated by reference to Exhibit 4.1 on HC2’s Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210).
4.4	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2, filed on January 5, 2015 (incorporated by reference to Exhibit 4.2 on HC2’s Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210).
4.5	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A Convertible Participating Preferred Stock of HC2, filed on May 29, 2014 (incorporated by reference to Exhibit 4.3 on HC2’s Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210).
4.6	Certificate of Correction of the Certificate of Amendment to the Certificate of Designation of Series A-2 Convertible Participating Preferred Stock of HC2, filed on January 5, 2015 (incorporated by reference to Exhibit 4.6 on HC2’s Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210).
4.7	Warrant Agreement, dated as of December 24, 2015, between HC2 and Great American Financial Resources, Inc. (incorporated by reference to Exhibit 4.1 to HC2’s Current Report on Form 8-K, filed on December 28, 2015) (File No. 001-35210)
4.8	Indenture, dated as of November 20, 2018, by and among HC2, the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to HC2's Current Report on Form 8-K filed on November 21, 2018) (File No. 001-35210).
4.9	Indenture, dated as of November 20, 2018, by and among HC2 and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to HC2's Current Report on Form 8-K filed on November 21, 2018) (File No. 001-35210).
4.10	Certificate of Designation for Series A Fixed-to-Floating Rate Perpetual Preferred Shares of DBM Global Inc., dated as of November 30, 2018 (incorporated by reference to Exhibit 2.4 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
4.11	Certificate of Designation of Series A Fixed-to-Floating Rate Perpetual Preferred Stock of HC2 Broadcasting Holdings Inc., dated as of December 3, 2018 (incorporated by reference to Exhibit 2.15 to HC2's Annual Report on Form 10-K filed on March 12, 2019) (File No. 001-35210).
4.12	Secured Note dated October 24, 2019, by and among HC2 Station, HC2 LPTV, HC2 Broadcasting Inc. ("HC2 Broadcasting"), HC2 Network Inc. ("HC2 Network") (collectively the "Subsidiary Borrowers"), HC2 Broadcasting Intermediate Holdings Inc. ("HC2 Intermediate") (the "Intermediate Parent"), HC2 Broadcasting Holdings (the "Parent Borrower" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "Borrowers"), and MSD PCOF Partners XVIII, LLC ("MSD") (filed herewith).
4.13	Amended and Restated Secured Note dated October 24, 2019, by and among HC2 Station, HC2 LPTV, HC2 Broadcasting, Amended and Restated Secured Note dated October 24, 2019, by and among HC2 Station, HC2 LPTV, HC2 Broadcasting, HC2 Network (collectively, the "Subsidiary Borrowers"), HC2 Intermediate (the "Intermediate Parent), HC2 Broadcasting Holdings (the "Parent Borrower" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "Borrowers", Great American Life Insurance Company ("GALIC") and Great American Insurance Company ("GAIC"). (collectively, the "Subsidiary Borrowers"), HC2 Intermediate (the "Intermediate Parent), HC2 Broadcasting Holdings (the "Parent Borrower" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "Borrowers", Great American Life Insurance Company ("GALIC") and Great American Insurance Company ("GAIC") (filed herewith).
4.14	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed herewith).
10.1^	Employment Agreement, dated May 21, 2014, by and between HC2 and Philip Falcone (incorporated by reference to Exhibit 10.2 on HC2's Quarterly Report on Form 10-Q, filed on August 11, 2014) (File No. 001-35210).
10.2	Securities Purchase Agreement, dated as of May 29, 2014, by and among HC2 and affiliates of Hudson Bay Capital Management LP, Benefit Street Partners L.L.C. and DG Capital Management, LLC (the "Purchasers") (incorporated by reference to Exhibit 10.1 to HC2’s Current Report on Form 8-K, filed on June 4, 2014) (File No. 001-35210).

Exhibit Number	Description
10.3^	HC2 2014 Omnibus Equity Award Plan (incorporated by reference to Exhibit A to HC2's Definitive Proxy Statement, filed on April 30, 2014) (File No. 001-35210)
10.4^	2014 HC2 Executive Bonus Plan (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on June 18, 2014) (File No. 001-35210).
10.5	Securities Purchase Agreement, dated as of September 22, 2014, by and among HC2 and affiliates of DG Capital Management, LLC and Luxor Capital Partners, LP (incorporated by reference to Exhibit 10.3 to HC2's Current Report on Form 8-K, filed on September 26, 2014) (File No. 001-35210).
10.6	Second Amended and Restated Registration Rights Agreement, dated as of January 5, 2015, by and among HC2 Holdings, the initial purchasers of the Series A Preferred Stock, the initial purchasers of the Series A-1 Preferred Stock and the purchasers of the Series A-2 Preferred Stock (incorporated by reference to Exhibit 10.2 on HC2's Current Report on Form 8-K, filed on January 9, 2015) (File No. 001-35210).
10.7	Consent and Waiver, dated as of October 9, 2014 to Securities Purchase Agreement, dated as of May 29, 2014, by and among HC2 and affiliates of Hudson Bay Capital Management LP, Benefit Street Partners L.L.C. and DG Capital Management, LLC (incorporated by reference to Exhibit 10.14 on HC2's Quarterly Report on Form 10-Q, filed on November 10, 2014) (File No. 001-35210).
10.8	Consent, Waiver and Amendment, dated as of September 22, 2014 to Securities Purchase Agreement, dated as of May 29, 2014, by and among HC2 and affiliates of Hudson Bay Capital Management LP, Benefit Street Partners L.L.C. and DG Capital Management, LLC (incorporated by reference to Exhibit 10.15 on HC2's Quarterly Report on Form 10-Q, filed on November 10, 2014) (File No. 001-35210).
10.9^	Reformed and Clarified Option Agreement, dated October 26, 2014, by and between HC2 and Philip Falcone (incorporated by reference to Exhibit 10.18.1 on HC2's Annual Report on Form 10-K, filed on March 16, 2015) (File No. 001-35210).
10.10^	Form of Option Agreement (Additional Time Contingent Option) by and between HC2 and Philip Falcone (incorporated by reference to Exhibit 10.18.2 on HC2's Annual Report on Form 10-K, filed on March 16, 2015) (File No. 001-35210).
10.11^	Form of Option Agreement (Contingent Option) by and between HC2 and Philip Falcone (incorporated by reference to Exhibit 10.18.3 on HC2's Annual Report on Form 10-K, filed on March 16, 2015) (File No. 001-35210).
10.12^	Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 on HC2's Current Report on Form 8-K, filed on September 22, 2014) (File No. 001-35210)
10.13^	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 on HC2's Current Report on Form 8-K, filed on September 22, 2014) (File No. 001-35210)
10.14^	Employment Agreement, dated May 20, 2015, by and between HC2 and Michael Sena (incorporated by reference to Exhibit 10.2 on HC2's Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210).
10.15^	Non-Qualified Stock Option Award Agreement dated April 18, 2016, by and between HC2 and Philip A. Falcone (incorporated by reference to Exhibit 10.1 on HC2's Quarterly Report on Form 10-Q, filed on May 9, 2016) (File No. 001-35210).
10.16	Voluntary Conversion Agreement, dated August 2, 2016, by and among HC2 and Luxor Capital Group, LP, as investment manager of the exchanging entities, holders of the Company's Series A-1 Convertible Participating Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 10.2 on HC2's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210).
10.17	Voluntary Conversion Agreement, dated August 2, 2016, by and between HC2 and Corrib Master Fund, Ltd., a holder of the Company's Series A Participating Preferred Stock, par value ($0.01 per share) (incorporated by reference to Exhibit 10.3 on HC2's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210).
10.18^	Form of Employee Nonqualified Option Award Agreement (incorporated by reference to Exhibit 10.4 on HC2's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210).
10.19	Voluntary Conversion Agreement, dated as of October 7, 2016, by and between Hudson Bay Absolute Return Credit Opportunities Master Fund, LTD. and HC2 (incorporated by reference to Exhibit 10.1 on HC2's Current Report on Form 8-K, filed on October 11, 2016) (File No. 001-35210).
10.20^	Revised Form of Indemnification Agreement of HC2 (incorporated by reference to Exhibit 10.1 on HC2's Quarterly Report on Form 10-Q, filed on November 9, 2016) (File No. 001-35210).
10.21	Registration Rights Agreement, dated as of August 2, 2016, by and between Luxor Capital Group, LP and HC2 (incorporated by reference to Exhibit 10.2 on HC2's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210).
10.22	Registration Rights Agreement, dated as of August 2, 2016, by and between Corrib Master Fund, Ltd. and HC2 (incorporated by reference to Exhibit 10.3 on HC2's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210).

Exhibit Number	Description
10.24	Voluntary Conversion Agreement dated as of May 2, 2017, by and among DG Value Partners, LP, DG Value Partners II Master Fund, LP and HC2 Holdings, Inc. (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on May 8, 2017) (File No. 001-35210).
10.25^	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on June 14, 2017) (File No. 001-35210).
10.26	Securities Purchase Agreement dated as of June 27, 2017 among DTV Holding Inc., John N. Kyle II, Kristina C. Bruni, King Forward, Inc., Equity Trust Co FBO John N. Kyle, Tiger Eye Licensing L.L.C., Bella Spectra Corporation, Kim Ann Dagen and Michael S. Dagen, Trustees of the Kim Ann Dagen Revocable Living Trust Agreement dated March 2, 1999, Madison Avenue Ventures, LLC, Paul Donner, Reeves Callaway, Don Shalhub, Shalhub Medical Investments PA, Tipi Sha, LLC, Luis O. Suau, Irwin Podhajser and Humberto Garriga (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on June 28, 2017) (File No. 001-35210).
10.27	Investor Rights Agreement dated as of June 27, 2017 between DTV Holding Inc., DTV America Corporation and other signatories party thereto (incorporated by reference to Exhibit 10.2 to HC2's Current Report on Form 8-K, filed on June 28, 2017) (File No. 001-35210).
10.28	Asset Purchase Agreement dated as of June 27, 2017 among DTV Holding Inc., King Forward, Inc., Tiger Eye Broadcasting Corporation, Tiger Eye Licensing L.L.C. and Bella Spectra Corporation (incorporated by reference to Exhibit 10.3 to HC2's Current Report on Form 8-K, filed on June 28, 2017) (File No. 001-35210).
10.29^	Employment Agreement dated as of September 11, 2017, by and between HC2 and Joseph Ferraro (incorporated by reference to Exhibit 10.1 to HC2's Quarterly Report on Form 10-Q, filed on November 8, 2017) (File No. 001-35210).
10.30^	Separation Agreement by and between HC2 Holdings, Inc. and Paul Voigt dated May 9, 2018 (incorporated by reference to Exhibit 10.1 to HC2's Quarterly Report on Form 10-Q, filed on August 8, 2018) (File No. 001-35210).
10.31^	HC2 Second Amended and Restated 2014 Omnibus Equity Award Plan (incorporated by reference to Exhibit A to the HC2 Definitive Proxy Statement, filed on April 30, 2018) (File No. 001-35210).
10.32	Second Amended & Restated Limited Liability Company Agreement of Pansend Life Sciences, LLC, dated as of September 20, 2017, by and among HC2 Holdings 2, Inc., David Present and Cherine Plumaker (incorporated by reference to Exhibit 10.2 to HC2's Current Report on Form 8-K, filed on May 3, 2018) (File No. 001-35210).
10.33	Agreement Re: Secured Notes, dated January 22, 2019, by and among HC2 Station, HC2 LPTV and the Institutional Investors (incorporated by reference to Exhibit 10.1 to HC2's Current Report on Form 8-K, filed on January 23, 2019) (File No. 001-35210).
10.34	Securities Purchase Agreement, by and between DBM Global Inc. and DBM Global Intermediate Holdco Inc., dated November 30, 2018 (incorporated by reference to Exhibit 2.3 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
10.35	Financing Agreement, dated as of November 30, 2018, by and among DBM Global Inc. ("DBM"), as borrower, certain direct and indirect subsidiaries of DBM as borrowers or guarantors, the lenders from time to time party thereto and TCW Asset Management Company LLC, as administrative agent for the lenders and collateral agent for the secured parties (incorporated by reference to Exhibit 2.5 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
10.36	Fourth Amended and Restated Credit and Security Agreement, dated as of November 30, 2018, by and among DBM Global Inc. and certain of its subsidiaries, collectively as borrower, and Wells Fargo Bank, National Association as lender (incorporated by reference to Exhibit 2.6 to HC2's Current Report on Form 8-K, filed on December 4, 2018) (File No. 001-35210).
10.37	First Amendment to Fourth Amended and Restated Credit and Security Agreement dated as of May 6, 2019, by and among DBMG, and certain of its subsidiaries, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.4 to HC2's Quarterly Report on Form 10-Q, filed on August 8, 2019) (File No. 001-35210).
10.38	Ninth Amended and Restated Agreement Re: Secured Notes dated October 24, 2019, among HC2 Station, HC2 LPTV, HC2 Network, HC2 Broadcasting, GALIC, GAIC and MSD (filed herewith).
10.39	First Amendment to Financing Agreement dated November 13, 2019, by and among DBM Global, Inc. and TCW Asset Management Company (filed herewith).
21.1	Subsidiaries of HC2 (filed herewith).
23.1	Consent of BDO USA, LLP, an independent registered public accounting firm (filed herewith).
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).
32.1*	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (furnished herewith).

Exhibit Number	Description
101	The following materials from the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in extensible business reporting language (XBRL); (i) Consolidated Statements of Operations for the years ended December 31, 2019 and 2018, (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018, (iii) Consolidated Balance Sheets at December 31, 2019 and 2018, (iv) Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018, and (vi) Notes to 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.

^ Indicates management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By:	/S/ PHILIP A. FALCONE
	Philip A. Falcone **Chairman, President** **and Chief Executive Officer** **(Principal Executive Officer)**
Date:	**March 16, 2020**

POWER OF ATTORNEY

Each of the officers and directors of HC2 Holdings, Inc., whose signature appears below, in so signing, also makes, constitutes and appoints each of Philip A. Falcone and Michael J. Sena, and each of them, his true and lawful attorneys-in-fact, with full power and substitution, for him in any and all capacities, to execute and cause to be filed with the SEC any and all amendments to this Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ PHILIP A. FALCONE **Philip A. Falcone**	Director and Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 16, 2020
/S/ MICHAEL J. SENA **Michael J. Sena**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2020
/S/ WAYNE BARR, JR. **Wayne Barr, Jr.**	Director	March 16, 2020
/S/ ROBERT LEFFLER **Robert Leffler**	Director	March 16, 2020
/S/ LEE HILLMAN **Lee Hillman**	Director	March 16, 2020
/S/ WARREN H. GFELLER **Warren H. Gfeller**	Director	March 16, 2020
/S/ JULIE SPRINGER **Julie Springer**	Director	March 16, 2020

HC2 HOLDINGS, INC.
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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
HC2 Holdings, Inc.
New York, NY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of HC2 Holdings, Inc. (the "Company") and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2011.

/s/ BDO USA, LLP

New York, NY
March 16, 2020

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
HC2 Holdings, Inc.
New York, NY

Opinion on Internal Control over Financial Reporting

We have audited HC2 Holdings, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

New York, NY
March 16, 2020

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

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

	Years Ended December 31,	
	2019	**2018**
Revenue	$ 1,662.7	$ 1,774.1
Life, accident and health earned premiums, net	116.9	94.4
Net investment income	203.8	116.6
Net realized and unrealized gains (losses) on investments	0.7	(8.4)
Net revenue	1,984.1	1,976.7
Operating expenses		
Cost of revenue	1,424.9	1,585.2
Policy benefits, changes in reserves, and commissions	234.4	197.3
Selling, general and administrative	214.3	218.4
Depreciation and amortization	32.0	31.7
Asset impairment expense	55.0	1.0
Other operating income	(5.6)	(1.1)
Total operating expenses	1,955.0	2,032.5
Income (loss) from operations	29.1	(55.8)
Interest expense	(95.1)	(75.7)
Gain on sale and deconsolidation of subsidiary	—	105.1
Income from equity investees	2.2	15.4
Gain on bargain purchase	1.1	115.4
Other income	6.0	77.9
(Loss) income from continuing operations	(56.7)	182.3
Income tax benefit (expense)	20.6	(2.4)
Net (loss) income	(36.1)	179.9
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	4.6	(17.9)
Net (loss) income attributable to HC2 Holdings, Inc.	(31.5)	162.0
Less: Preferred dividends, deemed dividends, and repurchase gains	—	6.4
Net (loss) income attributable to common stock and participating preferred stockholders	$ (31.5)	$ 155.6
(Loss) income per common share		
Basic	$ (0.66)	$ 3.14
Diluted	$ (0.66)	$ 2.90
Weighted average common shares outstanding:		
Basic	44.8	44.3
Diluted	44.8	46.8

See notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2019	**2018**
Net (loss) income	$ (36.1)	$ 179.9
Other comprehensive income (loss)		
Foreign currency translation adjustment	(1.9)	4.1
Unrealized gains (losses) on available-for-sale securities	288.4	(158.2)
Actuarial loss on pension plan	(7.8)	(6.7)
Other comprehensive income (loss)	278.7	(160.8)
Comprehensive income	242.6	19.1
Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests	(7.5)	(15.1)
Comprehensive income attributable to HC2 Holdings, Inc.	$ 235.1	$ 4.0

See notes to Consolidated Financial Statements

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

	December 31, 2019	December 31, 2018
Assets		
Investments:		
Fixed maturity securities, available-for-sale at fair value	$ 4,028.9	$ 3,391.6
Equity securities	92.5	200.5
Mortgage loans	183.5	137.6
Policy loans	19.1	19.8
Other invested assets	85.0	72.5
Total investments	4,409.0	3,822.0
Cash and cash equivalents	239.0	325.0
Accounts receivable, net	337.8	379.2
Recoverable from reinsurers	953.7	1,000.2
Deferred tax asset	2.7	2.1
Property, plant and equipment, net	405.8	376.3
Goodwill	126.8	171.7
Intangibles, net	227.0	219.2
Other assets	256.5	208.1
Total assets	$ 6,958.3	$ 6,503.8
Liabilities, temporary equity and stockholders' equity		
Life, accident and health reserves	$ 4,567.1	$ 4,562.1
Annuity reserves	236.4	245.2
Value of business acquired	221.1	244.6
Accounts payable and other current liabilities	339.6	344.9
Deferred tax liability	83.7	30.3
Debt obligations	839.3	743.9
Other liabilities	205.9	110.8
Total liabilities	6,493.1	6,281.8
Commitments and contingencies		
Temporary equity		
Preferred stock	10.3	20.3
Redeemable noncontrolling interest	11.3	8.0
Total temporary equity	21.6	28.3
Stockholders' equity		
Common stock, $.001 par value	—	—
Shares authorized: 80,000,000 at December 31, 2019 and December 31, 2018;		
Shares issued: 46,810,676 and 45,391,397 at December 31, 2019 and December 31, 2018;		
Shares outstanding: 46,067,852 and 44,907,818 at December 31, 2019 and December 31, 2018, respectively		
Additional paid-in capital	281.1	260.5
Treasury stock, at cost: 742,824 and 483,579 shares at December 31, 2019 and December 31, 2018, respectively	(3.3)	(2.6)
Accumulated deficit	(96.7)	(57.2)
Accumulated other comprehensive income (loss)	168.7	(112.6)
Total HC2 Holdings, Inc. stockholders' equity	349.8	88.1
Noncontrolling interest	93.8	105.6
Total stockholders' equity	443.6	193.7
Total liabilities, temporary equity and stockholders' equity	$ 6,958.3	$ 6,503.8

See notes to Consolidated Financial Statements

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

	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)	—	—	—	—	1.6	0.1	1.7	—	1.7	—
Share-based compensation	—	—	12.7	—	—	—	12.7	—	12.7	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(2.5)	—	—	—	(2.5)	—	(2.5)	2.5
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)	—	—	(0.5)	—	—	(0.5)	—	(0.5)	—
Preferred stock dividend and accretion	—	—	(5.7)	—	—	—	(5.7)	—	(5.7)	—
Amortization of issuance cost	—	—	(0.1)	—	—	—	(0.1)	—	(0.1)	0.1
Issuance of common stock	0.7	—	—	—	—	—	—	—	—	—
Purchase of preferred stock by subsidiary	—	—	0.2	—	—	—	0.2	—	0.2	(6.1)
Transactions with noncontrolling interests	—	—	1.5	—	—	3.6	5.1	(27.1)	(22.0)	6.2
Other	—	—	(0.5)	—	—	—	(0.5)	—	(0.5)	—
Net income (loss)	—	—	—	—	162.0	—	162.0	19.1	181.1	(1.2)
Other comprehensive loss	—	—	—	—	—	(158.0)	(158.0)	(1.7)	(159.7)	(1.1)
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)
Cumulative effect of accounting for warrants (1)	—	—	6.6	—	(3.7)	—	2.9	—	2.9	—
Share-based compensation	—	—	8.7	—	—	—	8.7	—	8.7	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(2.0)	—	—	—	(2.0)	—	(2.0)	2.0
Taxes paid in lieu of shares issued for share-based compensation	(0.2)	—	—	(0.7)	—	—	(0.7)	—	(0.7)	—
Preferred stock dividend	—	—	(0.9)	—	—	—	(0.9)	—	(0.9)	—
Issuance of common stock	1.4	—	—	—	—	—	—	—	—	—
Purchase of preferred stock by subsidiary	—	—	1.7	—	—	—	1.7	—	1.7	(10.0)
Transactions with noncontrolling interests	—	—	6.8	—	—	—	6.8	(5.5)	1.3	3.3
Other	—	—	(0.3)	—	—	—	(0.3)	—	(0.3)	—
Net income (loss)	—	—	—	—	(31.5)	—	(31.5)	(3.3)	(34.8)	(1.3)
Other comprehensive income (loss)	—	—	—	—	—	281.3	281.3	(2.3)	279.0	(0.6)
Balance as of December 31, 2019	46.1	$ —	$ 281.1	$ (3.3)	$ (96.7)	$ 168.7	$ 349.8	$ 93.8	$ 443.6	$ 21.6

(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 Consolidated Financial Statements

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

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities		
Net (loss) income	$ (36.1)	$ 179.9
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities		
Share-based compensation expense	7.8	9.0
Depreciation and amortization	41.1	38.7
Amortization of deferred financing costs and debt discount	13.9	7.4
Amortization of (discount) premium on investments	8.5	6.2
Gain on sale and deconsolidation of subsidiary	—	(105.1)
Gain on bargain purchase	(1.1)	(115.4)
Income from equity investees	(2.2)	(15.4)
Asset impairment expense	55.0	1.0
Net realized and unrealized gains on investments	(9.0)	(28.8)
Receipt of dividends from equity investees	9.8	19.8
Deferred income taxes	(28.1)	(2.6)
Annuity benefits	9.8	6.6
Other operating activities	0.3	10.1
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	52.4	(30.2)
Recoverable from reinsurers	4.4	238.8
Other assets	5.2	(26.1)
Life, accident and health reserves	45.1	126.7
Accounts payable and other current liabilities	(29.6)	6.6
Other liabilities	(36.7)	14.2
Cash provided by operating activities	110.5	341.4
Cash flows from investing activities		
Purchase of property, plant and equipment	(41.4)	(39.7)
Disposal of property, plant and equipment	4.6	5.9
Purchase of investments	(1,060.1)	(1,184.6)
Sale of investments	748.7	248.8
Maturities and redemptions of investments	123.5	82.3
Cash received from dispositions, net	13.5	92.0
Cash received from (paid for) acquisitions, net	(60.7)	572.1
Other investing activities	8.2	(1.4)
Cash used in investing activities	(263.7)	(224.6)
Cash flows from financing activities		
Proceeds from debt obligations	123.9	850.6
Principal payments on debt obligations	(44.5)	(697.0)
Cash received by subsidiary to issue preferred stock	8.9	—
Cash paid by subsidiary to purchase HC2 preferred stock	(8.3)	(5.8)
Annuity receipts	2.2	2.4
Annuity surrenders	(18.1)	(19.2)
Transactions with noncontrolling interests	2.4	(12.3)
Other financing activities	(4.1)	(3.5)
Cash provided by financing activities	62.4	115.2
Effects of exchange rate changes on cash, cash equivalents and restricted cash	1.0	(0.5)
Net change in cash, cash equivalents and restricted cash	(89.8)	231.5
Cash, cash equivalents and restricted cash, beginning of period	330.4	98.9
Cash, cash equivalents and restricted cash, end of period	$ 240.6	$ 330.4
Supplemental cash flow information:		
Cash paid for interest	$ 75.9	$ 69.9
Cash paid for taxes, net of refunds	$ 7.9	$ 13.1
Non-cash investing and financing activities:		
Property, plant and equipment included in accounts payable	$ 7.3	$ 2.9
Investments included in accounts payable	$ 30.1	$ 0.3

See notes to Consolidated Financial Statements

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 Energy Corp. (f/k/a American Natural Gas, Inc.) ("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 64% in R2 Technologies, Inc. ("R2"), which develops develops aesthetic and medical technologies for the skin . 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The 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 December 31, 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.

Cash and Cash Equivalents

Cash and cash equivalents are comprised principally of amounts in money market accounts with original maturities of three months or less.

Acquisitions

The Company's acquisitions are accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Estimates of fair value included in the Consolidated Financial Statements, in conformity with ASC 820, *Fair Value Measurements and Disclosures*, represent the Company's best estimates and valuations developed, when needed, with the assistance of independent appraisers or, where such valuations have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. The following estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities, and residual amounts will be allocated to goodwill or Bargain Purchase Gain. In accordance with ASC 805, *Business Combinations ("ASC 805")*, if additional information is obtained about the initial estimates of the fair value of the assets acquired and liabilities assumed within the measurement period, including finalization of asset appraisals, the Company will refine its estimates of fair value to allocate the purchase price more accurately.

Investments

Fixed maturity securities

The Company determines the appropriate classification of investments in fixed maturity securities at the acquisition date and re-evaluates the classification at each balance sheet date. All of our investments in fixed maturity securities are classified as available-for-sale. The Company carries these investments at fair value with net unrealized gains or losses, net of tax and related adjustments, reported as a component of Accumulated Other Comprehensive Income (Loss) ("AOCI") of the Company's Consolidated Statements of Stockholders' Equity.

Premiums and discounts on fixed maturity securities are amortized using the interest method and reported in Net investment income; mortgage-backed securities are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations. When the Company sells a security, the difference between the sale proceeds and amortized cost (determined based on specific identification) is reported in Net realized and unrealized gains (losses) on investments.

When a decline in the value of a specific investment is considered to be other-than-temporary at the balance sheet date, a provision for impairment is charged to earnings (included in realized gains (losses) on investments) and the cost basis of that investment is reduced. If the Company can assert that it does not intend to sell an impaired fixed maturity security and it is not more likely than not that it will have to sell the security before recovery of its amortized cost basis, then the other-than-temporary impairment is separated into two components: (i) the amount related to credit losses (recorded in earnings) and (ii) the amount related to all other factors (recorded in AOCI). The credit-related portion of an other-than-temporary impairment is measured by comparing a security's amortized cost to the present value of its current expected cash flows discounted at its effective yield prior to the impairment charge. If the Company intends to sell an impaired security, or it is more likely than not that it will be required to sell the security before recovery, an impairment charge to earnings is recorded to reduce the amortized cost of that security to fair value.

Equity securities

Equity securities that have readily determinable fair values are recorded at fair value with unrealized gains and losses, due to changes in fair value, reflected in Net realized and unrealized gains (losses) on investments. Dividend income from equity securities is recognized in Net investment income. Realized gains and losses on the sale of equity securities are recognized in Net realized and unrealized gains (losses) on investments.

The Company utilizes the equity method to account for investments when it possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20% of the voting interests of the investee. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. The Company applies the equity method to investments in common stock and to other investments when such other investments possess substantially identical subordinated interests to common stock. In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying amount of the investment by its proportionate share of the net earnings or losses in Income from equity investees and other comprehensive income of the investee. The Company records dividends or other equity distributions as reductions in the carrying value of the investment. In the event that net losses of the investee reduce the carrying amount to zero, additional net losses may be recorded if other investments in the investee are at-risk, even if the Company has not committed to provide financial support to the investee. Such additional equity method losses, if any, are based upon the change in the Company's claim on the investee’s book value.

Fair Value Measurements

General accounting principles for Fair Value Measurements and Disclosures define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These principles also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and describes three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. Active markets are defined as having the following characteristics for the measured asset/liability: (i) many transactions, (ii) current prices, (iii) price quotes not varying substantially among market makers, (iv) narrow bid/ask spreads and (v) most information publicly available. The Company’s Level 1 financial instruments consist primarily of publicly traded equity securities and highly liquid government bonds for which quoted market prices in active markets are available.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or market standard valuation techniques and assumptions with significant inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Such observable inputs include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. The Company’s Level 2 financial instruments include corporate and municipal fixed maturity securities, mortgage-backed non-affiliated common stocks priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities. Level 3 assets and liabilities include those whose value is determined using market standard valuation techniques. When observable inputs are not available, the market standard techniques for determining the estimated fair value of certain securities that trade infrequently, and therefore have little transparency, rely on inputs that are significant to the estimated fair value and that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based in large part on management judgment or estimation and cannot be supported by reference to market activity. Even though unobservable, management believes these inputs are based on assumptions deemed appropriate given the circumstances and consistent with what other market participants would use when pricing similar assets and liabilities. For the Company’s invested assets, this category primarily includes private placements, asset-backed securities, and to a lesser extent, certain residential and commercial mortgage-backed securities, among others. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company’s understanding of the market, and are generally considered Level 3. Under certain circumstances, based on its observations of transactions in active markets, the Company may conclude the prices received from independent third-party pricing services or brokers are not reasonable or reflective of market activity. In those instances, the Company would apply internally developed valuation techniques to the related assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The Company may utilize information from third parties, such as pricing services and brokers, to assist in determining the fair value for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company’s financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices and pricing of assets and liabilities, and approving changes to valuation methodologies and pricing sources. The selection of the valuation technique(s) to apply considers the definition of an exit price and the nature of the asset or liability being valued and significant expertise and judgment is required.

Accounts Receivable

Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts. Our allowance for doubtful accounts considers historical experience, the age of certain receivable balances, credit history, current economic conditions and other factors that may affect the counterparty's ability to pay.

Inventory

Inventory is valued at the lower of cost or net realizable value under the first-in, first-out method. Provision for obsolescence is made where appropriate and is charged to cost of revenue in the consolidated statements of operations. Short-term work in progress on contracts is stated at cost less foreseeable losses. These costs include only direct labor and expenses incurred to date and exclude any allocation of overhead. The policy for long-term work in progress contracts is disclosed within the Revenue and Cost Recognition accounting policy.

Reinsurance

Premium revenue and benefits are reported net of the amounts related to reinsurance ceded to and assumed from other companies. Expense allowances from reinsurers are included in other operating and general expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the direct reserve associated with the reinsured policies.

Accounting for Income Taxes

We recognize deferred tax assets and liabilities for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement bases and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. If necessary, deferred tax assets are reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable. We must make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount of the valuation allowance. The additional guidance provided by ASC No. 740, "Income Taxes" ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements. Expected outcomes of current or anticipated tax examinations, refund claims and tax-related litigation and estimates regarding additional tax liability (including interest and penalties thereon) or refunds resulting therefrom will be recorded based on the guidance provided by ASC 740 to the extent applicable.

At December 31, 2019, our U.S. and foreign companies have significant deferred tax assets resulting from tax loss carryforwards. The foreign deferred tax assets with minor exceptions are fully offset with valuation allowances. Additionally, the deferred tax assets generated by certain businesses that do not qualify to be included in the HC2 U.S. consolidated income tax return have been reduced by a full valuation allowance. Based on consideration of both positive and negative evidence, we determined that it was more likely than not that the net deferred tax assets of the HC2 U.S. consolidated filing group will not be realized. Therefore, a valuation allowance was maintained against the HC2 U.S. consolidated filing group's net deferred tax assets as of December 31, 2019. The appropriateness and amount of the valuation allowance are based on cumulative history of losses and our assumptions about the future taxable income of each affiliate and the timing of the reversal of deferred tax assets and liabilities. The Insurance segment is in a cumulative income position and the positive trend of profitability in 2018 and 2019 is expected to continue as supported by the projections of future income. As a result of the three-year cumulative income position and reliance upon future projections of income, the Insurance segment has released the valuation allowance recorded against its deferred tax assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided on the straight-line method over the estimated useful lives of the assets. Cost includes major expenditures for improvements and replacements which extend useful lives or increase capacity of the assets as well as expenditures necessary to place assets into readiness for use. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Cost includes finance costs incurred prior to the asset being available for use. Expenditures for maintenance and repairs are expensed as incurred.

Costs for internal use software that are incurred in the preliminary project stage and in the post-implementation stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software, beginning when the software project is ready for its intended use, over the estimated useful life of the software.

Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years for buildings and leasehold improvements, up to 35 years for cable-ships and submersibles, 3 to 15 years for equipment, furniture and fixtures, and 3 to 20 years for plant and transportation equipment. Plant includes equipment on the cable-ships that is portable and can be moved around the fleet and computer equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. Assets under construction are not depreciated until they are complete and available for use.

When assets are sold or otherwise retired, the costs and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results. Property, plant and equipment that have been included as part of the assets held for sale are no longer depreciated from the time that they are classified as such. The Company periodically evaluates the carrying value of its property, plant and equipment based upon the estimated cash flows to be generated by the related assets. If impairment is indicated, a loss is recognized.

Goodwill and Other Intangible Assets

Under ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"), goodwill and indefinite lived intangible assets are not amortized but are reviewed annually for impairment, or more frequently, if impairment indicators arise. Intangible assets that have finite lives are amortized over their estimated useful lives and are subject to the provisions of ASC 360, *Property, plant, and equipment* ("ASC 360").

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. Topic 350, Intangibles - Goodwill and Other (Topic 350),* currently requires an entity that has not elected the private company alternative for goodwill to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of the goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. To address concerns over the cost and complexity of the two-step goodwill impairment test, the amendments in this ASU remove the second step of the test. An entity will now apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The Company elected to early adopt ASU 2017-04 effective March 31, 2017.

Goodwill impairment is tested at least annually (October 1st) or when factors indicate potential impairment using a two-step process that begins with a qualitative evaluation of each reporting unit. If such test indicates potential for impairment, a one-step quantitative test is performed and if there is excess of a reporting unit's carrying amount over its fair value, impairment is recorded, not to exceed the total amount of goodwill allocated to the reporting unit.

Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Company’s assessment of a number of factors, including the reporting unit’s recent performance against budget, performance in the market that the reporting unit serves, and industry and general economic data from third-party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit.

Intangible assets not subject to amortization consist of certain licenses. Such indefinite lived intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test shall consist of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to the excess.

Intangible assets subject to amortization consists of certain trade names, customer contracts and developed technology. These finite lived intangible assets are amortized based on their estimated useful lives. Such assets are subject to the impairment provisions of ASC 360, wherein impairment is recognized and measured only if there are events and circumstances that indicate that the carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset group. An impairment loss is recorded if after determining that it is not recoverable, the carrying amount exceeds the fair value of the asset.

In addition to the foregoing, the Company reviews its goodwill and intangible assets for possible impairment whenever events or circumstances indicate that the carrying amounts of assets may not be recoverable. The factors that the Company considers important, and which could trigger an impairment review, include, but are not limited to: a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit; a significant decline in the market value of our common stock or debt securities for a sustained period; a material adverse change in economic, financial market, industry or sector trends; a material failure to achieve operating results relative to historical levels or projected future levels; and significant changes in operations or business strategy. For details regarding goodwill impairment, see Note 11. Goodwill and Intangibles, net.

Licensing: Television broadcast licenses generally are granted for eight-year periods. They are renewable after application and reviewed by the FCC and historically are renewed except in rare cases in which a petition to deny, a complaint or an adverse finding as to the licensee's qualifications results in loss of the license.

Valuation of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. In making such evaluations, the Company compares the expected undiscounted future cash flows to the carrying amount of the assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of the assets, the Company is required to make estimates of the fair value of the long-lived assets in order to calculate the impairment loss equal to the difference between the fair value and carrying value of the assets.

The Company makes significant assumptions and estimates in this process regarding matters that are inherently uncertain, such as determining asset groups and estimating future cash flows, remaining useful lives, discount rates and growth rates. The resulting undiscounted cash flows are projected over an extended period of time, which subjects those assumptions and estimates to an even larger degree of uncertainty. While the Company believes that its estimates are reasonable, different assumptions could materially affect the valuation of the long-lived assets. The Company derives future cash flow estimates from its historical experience and its internal business plans, which include consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in its underlying cost structure.

The Company makes assumptions about the remaining useful life of its long-lived assets. The assumptions are based on the average life of its historical capital asset additions and its historical asset purchase trend. In some cases, due to the nature of a particular industry in which the company operates, the Company may assume that technology changes in such industry render all associated assets, including equipment, obsolete with no salvage value after their useful lives. In certain circumstances in which the underlying assets could be leased for an additional period of time or salvaged, the Company includes such estimated cash flows in its estimate.

The estimate of the appropriate discount rate to be used to apply the present value technique in determining fair value was the Company’s weighted average cost of capital which is based on the effective rate of its debt obligations at the current market values (for periods during which the Company had debt obligations) as well as the current volatility and trading value of the Company’s common stock.

Value of Business Acquired ("VOBA")

VOBA is a liability that 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. Amortization is based on assumptions consistent with those used in the development of the underlying contract adjusted for emerging experience and expected trends. VOBA amortization are reported within depreciation and amortization in the accompanying consolidated statements of operations.

The VOBA balance is also periodically evaluated for recoverability to ensure that the unamortized portion does not exceed the expected recoverable amounts. At each evaluation date, actual historical gross profits are reflected, and estimated future gross profits and related assumptions are evaluated for continued reasonableness. Any adjustment in estimated future gross profits requires that the amortization rate be revised ("unlocking") retroactively to the date of the policy or contract issuance. The cumulative unlocking adjustment is recognized as a component of current period amortization.

Annuity Benefits Accumulated

Annuity receipts and benefit payments are recorded as increases or decreases in annuity benefits accumulated rather than as revenue and expense. Increases in this liability (primarily interest credited) are charged to expense and decreases for charges are credited to annuity policy charges revenue. Reserves for traditional fixed annuities are generally recorded at the stated account value.

Life, Accident and Health Reserves

Liabilities for future policy benefits under traditional life, accident and health policies are computed using the net level premium method. Computations are based on the original projections of investment yields, mortality, morbidity and surrenders and include provisions for unfavorable deviations unless a loss recognition event (premium deficiency) occurs. Claim reserves and liabilities established for accident and health claims are modified as necessary to reflect actual experience and developing trends.

For long-duration contracts (such as traditional life and long-term care insurance policies), loss recognition occurs when, based on current expectations as of the measurement date, existing contract liabilities plus the present value of future premiums (including reasonably expected rate increases) are not expected to cover the present value of future claims payments and related settlement and maintenance costs (excluding overhead) as well as unamortized acquisition costs. If a block of business is determined to be in loss recognition, a charge is recorded in earnings in an amount equal to the excess of the present value of expected future claims costs and unamortized acquisition costs over existing reserves plus the present value of expected future premiums (with no provision for adverse deviation). The charge is recorded as an additional reserve (if unamortized acquisition costs have been eliminated).

In addition, reserves for traditional life and long-term care insurance policies are subject to adjustment for loss recognition charges that would have been recorded if the unrealized gains from securities had actually been realized. This adjustment is included in unrealized gains (losses) on marketable securities, a component of AOCI.

Presentation of Taxes Collected

The Company reports a value-added tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between the Company and a customer on a net basis (excluded from revenues).

Foreign Currency Transactions

Foreign currency transactions are transactions denominated in a currency other than a subsidiary's functional currency. A change in the exchange rates between a subsidiary's functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected functional currency cash flows is reported by the Company as a foreign currency transaction gain (loss). The primary component of the Company's foreign currency transaction gain (loss) is due to agreements in place with certain subsidiaries in foreign countries regarding intercompany transactions. The Company anticipates repayment of these transactions in the foreseeable future, and recognizes the realized and unrealized gains or losses on these transactions that result from foreign currency changes in the period in which they occur as foreign currency transaction gain (loss).

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries are translated at the exchange rates in effect on the reporting date. Income and expenses are translated at the average exchange rate during the period. The net effect of such translation gains and losses are reflected within AOCI in the stockholders' equity section of the consolidated balance sheets.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815, *Derivatives and Hedging* Activities. Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The Company accounts for convertible instruments, when it has been determined that the embedded conversion options should not be bifurcated from their host instruments, as follows: The Company records when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company accounts for the conversion of convertible debt when a conversion option has been bifurcated using the general extinguishment standards. The debt and equity linked derivatives are removed at their carrying amounts and the shares issued are measured at their then-current fair value, with any difference recorded as a gain or loss on extinguishment of the two separate accounting liabilities.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its debt and line of credit obligations and amortizes them over the term of the respective debt agreement. The amortization expense of the deferred financing costs is included in interest expense on the consolidated statements of operations. If the Company extinguishes portions of its debt prior to the maturity date, deferred financing costs are charged to expense on a pro-rata basis and are included in loss on early extinguishment or restructuring of debt on the consolidated statements of operations.

Intercompany

The Company has an investment management agreement between CIG and CGI to which CIG acts as an investment manager of certain CGI's invested assets and cash. The revenues, costs, receivable and payables attributed to fees earned under this agreement are fully eliminated in consolidation. Fees are paid on a quarterly basis based on internal calculations and trued up, to the extent necessary, on a quarter basis for any under or over payments. At December 31, 2019, the payable at CGI of $2.6 million for the asset management fee, which was eliminated in consolidation, was reduced to reflect an overpayment of $2.4 million which was paid in Q1 2020.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of net revenue and expenses during the reporting period. Actual results may differ from these estimates. Significant estimates include allowance for doubtful accounts receivable, the extent of progress towards completion on contracts, contract revenue and costs on long-term contracts, valuation of certain investments and the insurance reserves, market assumptions used in estimating the fair values of certain assets and liabilities, the calculation used in determining the fair value of HC2's stock options required by ASC 718, *Compensation - Stock Compensation* ("ASC 718"), income taxes and various other contingencies.

Estimates of fair value represent the Company's best estimates developed with the assistance of independent appraisals or various valuation techniques and, where the foregoing have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

Pensions

GMSL operates various pension schemes comprising both defined benefit plans and defined contribution plans. GMSL also makes contributions on behalf of employees who are members of the Merchant Navy Officers Pension Fund ("MNOPF").

For the defined benefit plans and the MNOPF plan, the amounts charged to income (loss) from operations are the current service costs and the gains and losses on settlements and curtailments. These are included as part of staff costs. Past service costs are recognized immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognized over the period vesting occurs. The interest costs and expected return of assets are shown as a net amount and included in interest income and other income (expense). Actuarial gains and losses are recognized immediately in the consolidated statements of operations.

Defined benefit plans are funded with the assets of the plan held separately from those of GMSL, in separate trustee administered funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method discounted at a rate of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained annually.

For the defined contribution plans, the amount charged to income (loss) from operations in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the consolidated balance sheets.

Share-Based Compensation

The Company accounts for share-based compensation issued to employees in accordance with the provisions of ASC 718 and to non-employees pursuant to ASC 505-50, *Equity-based payments to non-employees.* All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for using a fair-value based method. The Company records share-based compensation expense for all new and unvested stock options that are ultimately expected to vest as the requisite service is rendered. The Company issues new shares of common stock upon the exercise of stock options.

The Company elected to adopt the alternative transition method for calculating the tax effects of share-based compensation. The alternative transition method includes simplified methods to determine the beginning balance of the APIC pool related to the tax effects of share-based compensation and to determine the subsequent impact on the APIC pool and the statement of cash flows of the tax effects of share-based awards that were fully vested and outstanding upon the adoption of ASC 718.

The Company uses a Black-Scholes option valuation model to determine the grant date fair value of share-based compensation under ASC 718. The Black-Scholes model incorporates various assumptions including the expected term of awards, volatility of stock price, risk-free rates of return and dividend yield. The expected term of an award is no less than the option vesting period and is based on the Company's historical experience. Expected volatility is based upon the historical volatility of the Company's stock price. The risk-free interest rate is approximated using rates available on U.S. Treasury securities with a remaining term similar to the option's expected life. The Company uses a dividend yield of zero in the Black-Scholes option valuation model as it does not anticipate paying cash dividends in the foreseeable future. Share-based compensation is recorded net of actual forfeitures.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk principally consist of trade accounts receivable. The Company performs ongoing credit evaluations of its customers but generally does not require collateral to support customer receivables. The Company maintains its cash with high quality credit institutions, and its cash equivalents are in high quality securities.

Income (Loss) Per Common Share

Basic income (loss) per common share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per common share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock and related income from continuing operations, net of tax. Potential common stock, computed using the treasury stock method or the if-converted method, includes options, warrants, restricted stock, restricted stock units and convertible preferred stock.

In periods when the Company generates income, the Company calculates basic Earnings Per Share ("EPS") using the two-class method, pursuant to ASC No. 260, *Earnings Per Share*. The two-class method is required as the shares of the Company's preferred stock qualify as participating securities, having the right to receive dividends should dividends be declared on common stock. Under this method, earnings for the period are allocated to the common stock and preferred stock to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. The Company does not use the two-class method in periods when it generates a loss as the holders of the preferred stock do not participate in losses.

Other income

The following table provides information relating to Other income (in millions):

	Years Ended December 31,	
	2019	2018
Gain on reinsurance recaptures	$ —	$ 47.0
Gain on investment in Inseego	—	34.4
Other income (expenses), net	6.0	(3.5)
Total	$ 6.0	$ 77.9

Statement of Cash Flows

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

	December 31,	
	2019	2018
Cash and cash equivalents, beginning of period	$ 325.0	$ 97.9
Restricted cash included in other assets	5.4	1.0
Total cash and cash equivalents and restricted cash	$ 330.4	$ 98.9
Cash and cash equivalents, end of period	$ 239.0	$ 325.0
Restricted cash included in other assets	1.6	5.4
Total cash and cash equivalents and restricted cash	$ 240.6	$ 330.4

Reclassification

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

Accounting Pronouncements Adopted in the Current Year

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 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 Consolidated

Financial 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.

Instruments with Down Round Feature

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815)*, which changes the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. ASU 2017-11 also clarifies existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, ASU 2017-11 requires entities that present Earnings Per Share ("EPS") in accordance with ASC Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. This standard was adopted retrospectively on January 1, 2019 and resulted in a $3.7 million cumulative adjustment to retained earnings.

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 it's recoverable from reinsurers, accounts receivable, and mortgage loans. 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 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 performed in 2022.

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 plans to use the modified retrospective method which will include a cumulative effect adjustment on the balance sheet as of the beginning of the fiscal year of adoption. However, prospective application is required for purchased credit deteriorated assets previously accounted for under ASU 310-39 for debt securities for which an other-than-temporary impairment ("OTTI") was recognized prior to the date of adoption.” To the first paragraph of the Credit Loss Standard Section. 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 the 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. 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 it's 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.

- 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 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 performed in 2023. The Company may choose one of two adoption methods for the liability for future policy benefits: (i) a modified retrospective transition method whereby the entity will apply the amendments to contracts inforce as of the beginning of the earliest period presented on the basis of their existing carrying amounts adjusted for the removal of any related amounts in AOCI or (ii) a full retrospective transition method. 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.

Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxe*s (Topic 740). The new guidance removes the following exceptions from ASC 740, Income Taxes: (i) exception to the incremental approach for intraperiod tax allocation; (ii) exception for the recognition of a deferred tax liability when an equity method investment becomes a foreign subsidiary or a foreign subsidiary becomes an equity method investment, and (iii) exception to the general methodology for calculating income taxes in an interim period when year-to-date losses exceed expected losses for the year. ASU 2019-12 also provides guidance to increase simplicity of Topic 740. This standard is effective January 1, 2021 for public business entities. Certain amendments should be applied retrospectively with cumulative-effect adjustments made to retained earnings, while other amendments should be applied prospectively. The Company is currently evaluating the implementation date and the impact of this amendment on its financial statements.

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 24. Subsequent Events for the summary of the subsequent events.

3. Revenue

ASC 606 aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with ASC 606:

Identify the contract with a customer

A contract with a customer exists when: (a) the parties have approved the contract and are committed to perform their respective obligations, (b) the rights of the parties can be identified, (c) payment terms can be identified, (d) the arrangement has commercial substance, and (e) collectibility of consideration is probable. Judgment is required when determining if the contractual criteria are met, specifically in the earlier stages of a project when a formally executed contract may not yet exist. In these situations, the Company evaluates all relevant facts and circumstances, including the existence of other forms of documentation or historical experience with our customers that may indicate a contractual agreement is in place and revenue should be recognized. In determining if the collectibility of consideration is probable, the Company considers the customer’s ability and intention to pay such consideration through an evaluation of several factors, including an assessment of the creditworthiness of the customer and our prior collection history with such customer.

Identify the performance obligations in the contract

At contract inception, the Company assesses the goods or services promised in a contract and identifies, as a separate performance obligation, each distinct promise to transfer goods or services to the customer. The identified performance obligations represent the "unit of account" for purposes of determining revenue recognition. In order to properly identify separate performance obligations, the Company applies judgment in determining whether each good or service provided is: (a) capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and (b) distinct within the context of the contract, whereby the transfer of the good or service to the customer is separately identifiable from other promises in the contract.

In addition, when assessing performance obligations within a contract, the Company considers the warranty provisions included within such contract. To the extent the warranty terms provide the customer with an additional service, other than assurance that the promised good or service complies with agreed upon specifications, such warranty is accounted for as a separate performance obligation. In determining whether a warranty provides an additional service, the Company considers each warranty provision in comparison to warranty terms which are standard in the industry.

Determine the transaction price

The transaction price represents the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to our customers. The consideration promised within a contract may include fixed amounts, variable amounts, or both. To the extent the performance obligation includes variable consideration, including contract bonuses and penalties that can either increase or decrease the transaction price, the Company estimates the amount of variable consideration to be included in the transaction price utilizing one of two prescribed methods, depending on which method better predicts the amount of consideration to which the entity will be entitled. Such methods include: (a) the expected value method, whereby the amount of variable consideration to be recognized represents the sum of probability weighted amounts in a range of possible consideration amounts, and (b) the most likely amount method, whereby the amount of variable consideration to be recognized represents the single most likely amount in a range of possible consideration amounts. When applying these methods, the Company considers all information that is reasonably available, including historical, current and estimates of future performance.

Variable consideration is included in the transaction price only to the extent it is probable, in the Company's judgment, that a significant future reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This threshold is referred to as the variable consideration constraint. In assessing whether to apply the variable consideration constraint, the Company considers if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue, including, but not limited to, whether: (a) the amount of consideration is highly susceptible to factors outside of the Company's influence, such as the actions of third parties, (b) the uncertainty surrounding the amount of consideration is not expected to be resolved for a long period of time, (c) the Company's experience with similar types of contracts is limited or that experience has limited predictive value, (d) the Company has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances, and (e) the contract has a large number and broad range of possible consideration amounts.

Pending change orders represent one of the most common forms of variable consideration included within contract value and typically represent contract modifications for which a change in scope has been authorized or acknowledged by our customer, but the final adjustment to contract price is yet to be negotiated. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the customer regarding acknowledgment and/or agreement with the modification, as well as historical experience with the customer or similar contractual circumstances. Based upon this assessment, the Company estimates the transaction price, including whether the variable consideration constraint should be applied.

Changes in the estimates of transaction prices are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. Such changes in estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in prior periods. Such changes in estimates may also result in the reversal of previously recognized revenue if the ultimate outcome differs from the Company's previous estimate.

Allocate the transaction price to performance obligations in the contract

For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative standalone selling price. The Company determines the standalone selling price based on the price at which the performance obligation would have been sold separately in similar circumstances to similar customers. If the standalone selling price is not observable, the Company estimates the standalone selling price taking into account all available information such as market conditions and internal pricing guidelines. In certain circumstances, the standalone selling price is determined using an expected profit margin on anticipated costs related to the performance obligation.

Recognize revenue as performance obligations are satisfied

The Company recognizes revenue at the time the related performance obligation is satisfied by transferring a promised good or service to its customers. A good or service is considered to be transferred when the customer obtains control. The Company can transfer control of a good or service and satisfy its performance obligations either over time or at a point in time. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if one of the following three criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as we perform, (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (c) the Company's performance does not create an asset with an alternative use to us, and we have an enforceable right to payment for performance completed to date.

For our performance obligations satisfied over time, we recognize revenue by measuring the progress toward complete satisfaction of that performance obligation. The selection of the method to measure progress towards completion can be either an input method or an output method and requires judgment based on the nature of the goods or services to be provided.

Revenue from contracts with customers consist of the following (in millions):

	Years Ended December 31,	
	2019	2018
Revenue [1]		
Construction	$ 713.3	$ 716.4
Marine Services	172.5	194.3
Energy	39.0	20.7
Telecommunications	696.1	793.6
Broadcasting	41.8	45.4
Other	—	3.7
Total revenue	$ 1,662.7	$ 1,774.1

[1] The Insurance segment does not have revenues in scope of ASC 606.

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

	December 31,	
	2019	2018
Accounts receivables with customers		
Construction	$ 199.2	$ 196.6
Marine Services	26.0	48.3
Energy	31.1	3.3
Telecommunications	51.9	117.6
Broadcasting	8.5	9.2
Total accounts receivables with customers	$ 316.7	$ 375.0

Construction Segment

DBMG performs its services primarily under fixed-price contracts and recognizes revenue over time using the input method to measure progress for its projects. The nature of the projects does not provide measurable value to the customer over time and control does not transfer to the customer at discrete points in time. The customer receives value over the term of the project based on the amount of work that has been completed towards the delivery of the completed project. The most reliable measure of progress is the cost incurred towards delivery of the completed project. Therefore, the input method provides the most reliable method to measure progress. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when DBMG and customer or general contractor have agreed on both the scope and price of changes, the work has commenced, it is probable that the costs of the changes will be recovered and that realization of revenue exceeding the costs is assured beyond a reasonable doubt. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Service Contracts

For service contracts (including maintenance contracts) where we have the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on our performance to date, revenue is recognized when services are performed and contractually billable. For all other types of service contracts, revenue is recognized over time using the input method to measure progress because it best depicts the transfer of value to the customer. Costs include all direct material and labor costs, subcontractor costs, and allocated overhead costs related to contract performance.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retention on contract receivables are amounts due on progress billings, which are withheld until the completed project has been accepted by the customer.

Disaggregation of Revenues

DBMG's revenues are principally derived from contracts to provide fabrication and erection services to its customers. Contracts represent majority of the revenue of the Construction segment and are generally recognized over time. A majority of contracts are domestic, fixed priced, and are in excess of one year. Disaggregation of the Construction segment, by market or type of customer, is used to evaluate its financial performance.

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

	Years Ended December 31,	
	2019	2018
Commercial	$ 205.4	$ 253.4
Convention	77.4	155.8
Healthcare	49.5	105.0
Industrial	238.0	79.5
Transportation	64.8	53.0
Other	77.8	69.5
Total revenue from contracts with customers	712.9	716.2
Other revenue	0.4	0.2
Total Construction segment revenue	$ 713.3	$ 716.4

Contract Assets and Contract Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our long-term construction projects when revenue recognized under the cost-to-cost measure of progress exceed the amounts invoiced to our customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from our customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. In addition, many of our time and materials arrangements, as well as our contracts to perform turnaround services within the United States industrial services segment, are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded, as revenue is recognized in advance of billings. Also included in contract assets are amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders or modifications in dispute or unapproved as to both scope and/or price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Our contract assets do not include capitalized costs to obtain and fulfill a contract. Contract assets are included in Other assets in the Consolidated Balance Sheets.

Contract liabilities from our long-term construction contracts occur when amounts invoiced to our customers exceed revenues recognized. Contract liabilities additionally include advanced payments from our customers on certain contracts. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation. Contract liabilities are included in Other liabilities in the Consolidated Balance Sheets.

Contract Assets and Contract Liabilities

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

	December 31,	
	2019	2018
Contract assets	$ 50.6	$ 69.0
Contract liabilities	$ (50.6)	$ (62.0)

The change in contract assets is a result of the recording of $26.2 million of costs in excess of billings driven by new commercial projects, offset by $41.3 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 $49.3 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.

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

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

	Within one year	Within five years	Total
Commercial	$ 174.9	$ 12.7	$ 187.6
Convention	6.9	—	6.9
Healthcare	20.8	—	20.8
Industrial	107.8	0.1	107.9
Transportation	76.2	—	76.2
Other	62.3	—	62.3
Remaining unsatisfied performance obligations	$ 448.9	$ 12.8	$ 461.7

DBMG includes an additional $36.0 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.

DBMG's remaining unsatisfied performance obligations, otherwise referred to as backlog, increase with awards of new contracts and decrease as it performs work and recognizes revenue on existing contracts. DBMG includes a project within its remaining unsatisfied performance obligations at such time the project is awarded and agreement on contract terms has been reached. DBMG's remaining unsatisfied performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of total transaction price can be made. DBMG expects to recognize this revenue over the next twenty four months.

Remaining unsatisfied performance obligations include unrecognized revenues to be realized from uncompleted construction contracts. Although many of DBMG's contracts are subject to cancellation at the election of its customers, in accordance with industry practice, DBMG does not limit the amount of unrecognized revenue included within its remaining unsatisfied performance obligations due to the inherent substantial economic penalty that would be incurred by its customers upon cancellation.

Marine Services Segment

GMSL generally generates revenue by providing maintenance services for subsea telecommunications cabling, installing subsea cables, providing installation, maintenance and repair of fiber optic communication and power infrastructure to offshore oil and gas platforms, and installing inter-array power cables for use in offshore wind farms.

Telecommunication - Maintenance & Installation

GMSL performs its services within telecommunication market primarily under fixed-price contracts and recognizes revenue over time using the input method to measure progress for its projects. The nature of the projects does not provide measurable value to the customer over time and control does not transfer to the customer at discrete points in time. The customer receives value over the term of the project based on the amount of work that has been completed towards the delivery of the completed project. Depending on the project, the most reliable measure of progress is either the cost incurred or time elapsed towards delivery of the completed project. Therefore, the input method provides the most reliable method to measure progress. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, indirect labor, and overhead costs, which are charged to contract costs as incurred. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Maintenance revenues within this market are attributable to standby vessels and the provision of cable storage depots for repair of fiber optic telecommunications cables in defined geographic zones, and its maintenance business is provided through contracts with consortia of approximately 60 global telecommunications providers. These contracts are generally five to seven years long.

Installation revenues within this market are generated through installation of cable systems including route planning, mapping, route engineering, cable laying, and trenching and burial. GMSL’s installation business is project-based with contracts typically lasting one to five months.

Power - Operations, Maintenance & Construction Support

Majority of revenues within this market are generated through the provision of crew transfer vessels and turbine technicians on the maintenance of offshore wind farms. Services are provided at agreed day rates and are recognized as revenues at the point in time at which the performance obligations are met. Additional revenues are generated through the provision of approved safety training courses to personnel operating on offshore wind turbines. Courses are supplied at agreed rates and recognized at the point in time at which the courses are provided.

Power - Cable Installation & Repair

Installation and repair revenues within this market are attributable to the provision of engineering solutions, which includes the charter of cable laying vessels and related subsea assets. These contracts are either charged at agreed day rates and are recognized as revenues at the point in time at which the performance obligations are met, or are under fixed-price contracts, in which case revenue is recognized over time using the input method to measure progress for its projects.

Disaggregation of Revenues

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

	Years Ended December 31,	
	2019	2018
Telecommunication - Maintenance	$ 86.8	$ 87.0
Telecommunication - Installation	33.2	41.5
Power - Operations, Maintenance & Construction Support	19.9	31.0
Power - Cable Installation & Repair	32.6	34.8
Total revenue from contracts with customers	172.5	194.3
Other revenue	—	—
Total Marine Services segment revenue	$ 172.5	$ 194.3

Contract Assets and Contract Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our long-term projects when revenue recognized exceeds the amounts invoiced to our customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from our customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. In addition, many of our time and materials arrangements, as well as our contracts to perform services are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded, as revenue is recognized in advance of billings. Contract assets are included in Other assets in the Consolidated Balance Sheets.

Contract liabilities from our long-term construction contracts occur when amounts invoiced to our customers exceed revenues recognized. Contract liabilities additionally include advanced payments from our customers on certain contracts. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation. Contract liabilities are included in Other liabilities in the Consolidated Balance Sheets.

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

	December 31,	
	2019	2018
Contract assets	$ 15.1	$ 5.2
Contract liabilities	$ (14.8)	$ (1.0)

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

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	$ 76.4	$ 160.8	$ 40.6	$ 277.8
Telecommunication - Installation	13.8	—	—	13.8
Power - Operations, Maintenance & Construction Support	11.6	17.4	—	29.0
Power - Cable Installation & Repair	56.8	—	—	56.8
Remaining unsatisfied performance obligations	$ 158.6	$ 178.2	$ 40.6	$ 377.4

GMSL's remaining unsatisfied performance obligations, otherwise referred to as backlog, increase with awards of new contracts and decrease as it performs work and recognizes revenue on existing contracts. GMSL includes a project within its remaining unsatisfied performance obligations at such time the project is awarded and agreement on contract terms has been reached. GMSL's remaining unsatisfied performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of total transaction price can be made.

Remaining unsatisfied performance obligations consist predominantly from projects within telecommunication maintenance market. These revenues are generated through long-term contracts for the provision of vessels and cable depots in maintaining and repairing subsea telecoms cables around the globe. Revenues are recognized over time to reflect both the duration that the vessels and depots are provided on standby duties and the amount of work that has been completed.

Energy Segment

ANG's revenues are principally derived from sales of compressed natural gas. ANG recognizes revenue from the sale of natural gas fuel primarily at the time the fuel is dispensed.

In December 2019, the U.S. Congress passed an alternative fuel tax credit ("AFTC") which will continue to support the use of natural gas. The AFTC is retroactive beginning January 2018 and extends through 2020. The legislation extends the $0.50 per gallon fuel credit/payment for the use of natural gas as a transportation fuel, and the Alternative Fuel Vehicle Refueling Property Credit, which extends the 30 percent/$30,000 investment tax credit for alternative vehicle refueling property. Net revenue after customer rebates for such credits recognized in 2019 was $10.6 million.

As a result of the Bipartisan Budget Act of 2018, signed into law on February 9, 2018, all AFTC revenue for vehicle fuel ANG sold in 2017 was collected in the second quarter of 2018. Net revenue after customer rebates for such credits recognized in 2018 was $2.6 million.

Disaggregation of Revenues

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

	Years Ended December 31,	
	2019	2018
Volume-related	$ 27.5	$ 16.5
Maintenance services	0.1	0.1
Total revenue from contracts with customers	27.6	16.6
RNG incentives	0.5	1.3
Alternative fuel tax credit	10.6	2.6
Other revenue	0.3	0.2
Total Energy segment revenue	$ 39.0	$ 20.7

Telecommunications Segment

ICS operates an extensive network of direct routes and offers premium voice communication services for carrying a mix of business, residential and carrier long-distance traffic, data and transit traffic. Customers may have a bilateral relationship with ICS, meaning they have both a customer and vendor relationship with ICS. In these cases, ICS sells the customer access to the ICS supplier routes but also purchases access to the customer's supplier routes.

Net revenue is derived from the long-distance data and transit traffic. Net revenue is earned based on the number of minutes during a call multiplied by the price per minute, and is recorded upon completion of a call. Completed calls are billable activity while incomplete calls are non-billable. Incomplete calls may occur as a result of technical issues or because the customer's credit limit was exceeded and thus the customer routing of traffic was prevented.

Revenue for a period is calculated from information received through ICS's billing software, such as minutes and market rates. Customized billing software has been implemented to track the information from the switch and analyze the call detail records against stored detailed information about revenue rates. This software provides ICS with the ability to perform a timely and accurate analysis of revenue earned in a period.

ICS evaluates gross versus net revenue recognition for each of its contractual arrangements by assessing indicators of control and significant influence to determine whether the ICS acts as a principal (i.e. gross recognition) or an agent (i.e. net recognition). ICS has determined that it acts as a principal for all of its performance obligations in connection with all revenue earned. Net revenue represents gross revenue, net of allowance for doubtful accounts receivable, service credits and service adjustments. Cost of revenue includes network costs that consist of access, transport and termination costs. The majority of ICS's cost of revenue is variable, primarily based upon minutes of use, with transmission and termination costs being the most significant expense.

Disaggregation of Revenues

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

	Years Ended December 31,	
	2019	2018
Termination of long distance minutes	$ 696.1	$ 793.6
Total revenue from contracts with customers	696.1	793.6
Other revenue	—	—
Total Telecommunications segment revenue	$ 696.1	$ 793.6

Broadcasting Segment

Network advertising revenue is generated primarily from the sale of television airtime for programs or advertisements. Network advertising revenue is recognized when the program or advertisement is broadcast. Revenues are reported net of agency commissions, which are calculated as a stated percentage applied to gross billings. The Network advertising contracts are generally short-term in nature.

Network distribution revenue consists of payments received from cable, satellite and other multiple video program distribution systems for their retransmission of our network content. Network distribution revenue is recognized as earned over the life of the retransmission consent contract and varies from month to month. Variable fees are usage/sales based, calculated on the average number of subscribers, and recognized as revenue when the usage occurs. Transaction prices are based on the contract terms, with no material judgments or estimates.

Broadcast station revenue is generated primarily from the sale of television airtime in return for a fixed fee or a portion of the related ad sales recognized by the third party. In a typical broadcast station revenue agreement, the licensee of a station makes available, for a fee, airtime on its station to a party which supplies content to be broadcast during that airtime and collects revenue from advertising aired during such content. Broadcast station revenue is recognized over the life of the contract, when the program is broadcast. The fees that we charge can be fixed or variable and the contracts that the Company enters into are generally short-term in nature. Variable fees are usage/sales-based and recognized as revenue when the subsequent usage occurs. Transaction prices are based on the contract terms, with no material judgments or estimates.

Disaggregation of Revenues

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

	Years Ended December 31,	
	2019	2018
Network advertising	$ 22.7	$ 28.2
Broadcast station	11.9	10.8
Network distribution	4.9	4.8
Other	2.3	1.6
Total revenue from contracts with customers	41.8	45.4
Other revenue	—	—
Total Broadcasting segment revenue	$ 41.8	$ 45.4

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

The transaction price allocated to remaining unsatisfied performance obligations consisted of $4.9 million, $7.1 million, and $2.0 million of network advertising, broadcasting station revenues, and other revenues respectively of which $6.5 million is expected to be recognized within one year and $7.5 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 allocation of the fair value of consideration transferred among the identified assets acquired, liabilities assumed, intangibles and residual goodwill were 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

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.

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. Transaction was accounted for as asset acquisition.

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. Mandatorily redeemable 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 transaction was accounted for as business acquisition.

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.

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 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 years ended December 31, 2019 and 2018, HC2 Broadcasting acquired a series of licenses for a total consideration of $20.5 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.

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):

	Year Ended December 31, 2018
Net revenue	$ 2,106.4
Net income from operations	$ 234.3
Net income attributable to HC2 Holdings, Inc.	$ 203.1

5. Investments

Fixed Maturity Securities

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

December 31, 2019	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and government agencies	$ 7.0	$ 0.7	$ —	$ 7.7
States, municipalities and political subdivisions	405.4	34.7	—	440.1
Residential mortgage-backed securities	63.0	4.5	(0.6)	66.9
Commercial mortgage-backed securities	108.2	1.8	(0.6)	109.4
Asset-backed securities	592.6	2.2	(17.0)	577.8
Corporate and other	2,569.1	273.1	(15.2)	2,827.0
Total fixed maturity securities	$ 3,745.3	$ 317.0	$ (33.4)	$ 4,028.9

December 31, 2018	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	$ 3,477.5	$ 31.5	$ (117.4)	$ 3,391.6

The amortized cost and fair value of fixed maturity securities available-for-sale as of December 31, 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	$ 32.3	$ 33.2
Due after one year through five years	243.2	250.8
Due after five years through ten years	416.9	440.3
Due after ten years	2,289.1	2,550.5
Subtotal	2,981.5	3,274.8
Mortgage-backed securities	171.2	176.3
Asset-backed securities	592.6	577.8
Total	$ 3,745.3	$ 4,028.9

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

	December 31, 2019			December 31, 2018		
	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
Finance, insurance, and real estate	$ 632.2	$ 674.9	23.8 %	$ 469.0	$ 452.9	20.2 %
Transportation, communication and other services	785.7	855.2	30.3 %	758.6	734.0	32.7 %
Manufacturing	728.7	825.9	29.2 %	712.7	693.5	30.9 %
Other	422.5	471.0	16.7 %	370.7	364.1	16.2 %
Total	$ 2,569.1	$ 2,827.0	100.0 %	$ 2,311.0	$ 2,244.5	100.0 %

A portion of certain 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 recognized the following (in millions):

	Years Ended December 31,	
	2019	2018
Net realized and unrealized gains on investments	$ 2.1	$ 1.5
Other income (expenses), net	0.3	0.2
Total other-than-temporary impairments	$ 2.4	$ 1.7

The following table presents the total unrealized losses for the 139 and 749 fixed maturity securities held by the Company as of December 31, 2019 and December 31, 2018, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in millions):

	December 31, 2019		December 31, 2018	
Fixed maturity securities	Unrealized Losses	% of Total	Unrealized Losses	% of Total
Less than 20%	$ (32.6)	97.6 %	$ (116.0)	98.8 %
20% or more for less than six months	—	— %	(0.8)	0.7 %
20% or more for six months or greater	(0.8)	2.4 %	(0.6)	0.5 %
Total	$ (33.4)	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 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 December 31, 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.

The following tables present the estimated fair values and gross unrealized losses for the 139 and 749 fixed maturity securities held by the Company that have estimated fair values below amortized cost as of each of December 31, 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):

December 31, 2019	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and government agencies	$ 0.3	$ —	$ —	$ —	$ 0.3	$ —
States, municipalities and political subdivisions	2.0	—	—	—	2.0	—
Residential mortgage-backed securities	2.3	—	8.2	(0.6)	10.5	(0.6)
Commercial mortgage-backed securities	58.1	(0.6)	0.2	—	58.3	(0.6)
Asset-backed securities	126.5	(1.5)	255.8	(15.5)	382.3	(17.0)
Corporate and other	169.6	(3.7)	177.4	(11.5)	347.0	(15.2)
Total fixed maturity securities	$ 358.8	$ (5.8)	$ 441.6	$ (27.6)	$ 800.4	$ (33.4)

December 31, 2018	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 December 31, 2019, investment grade fixed maturity securities (as determined by nationally recognized rating agencies) represented approximately 68.3% of the gross unrealized loss and 81.8% 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):

	December 31,	
Equity securities	2019	2018
Common stock	$ 10.5	$ 15.0
Perpetual preferred stock	82.0	185.5
Total equity securities	$ 92.5	$ 200.5

Other invested assets

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

	December 31, 2019		December 31, 2018	
	Measurement Alternative	Equity Method	Measurement Alternative	Equity Method
Common stock	$ —	$ 2.4	$ —	$ 2.1
Preferred stock	—	16.1	1.6	9.6
Other	—	66.5	—	59.2
Total	$ —	$ 85.0	$ 1.6	$ 70.9

Summarized financial information for equity method investees not consolidated as of and for the year ended December 31, 2019 were not significant. Summarized financial information for equity method investees not consolidated as of and for the year ended December 31, 2018 were as follows (information for one of the investees is reported on a one month lag, in millions):

	Years Ended December 31,	
	2019	2018
Net revenue	$ 462.0	$ 382.9
Gross profit	$ 88.1	$ 98.8
Income from continuing operations	$ 4.1	$ 38.7
Net income	$ 2.0	$ 30.9
Current assets	$ 373.3	$ 282.5
Noncurrent assets	$ 95.1	$ 90.5
Current liabilities	$ 246.9	$ 177.0
Noncurrent liabilities	$ 18.9	$ 19.5

Net investment income

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

	Years Ended December 31,	
	2019	2018
Fixed maturity securities, available-for-sale at fair value	$ 177.3	$ 98.3
Equity securities	7.6	5.4
Mortgage loans	15.0	7.3
Policy loans	1.1	1.2
Other invested assets	4.0	4.8
Gross investment income	205.0	117.0
External investment expense	(1.2)	(0.4)
Net investment income	$ 203.8	$ 116.6

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):

	Years Ended December 31,	
	2019	2018
Realized gains on fixed maturity securities	$ 10.6	$ 5.6
Realized losses on fixed maturity securities	(10.2)	(1.5)
Realized gains on equity securities	3.4	0.3
Realized losses on equity securities	(3.3)	—
Realized gains on mortgage loans	1.0	—
Realized losses on mortgage loans	(0.3)	—
Net unrealized gains (losses) on equity securities	3.4	(11.6)
Net unrealized gains (losses) on derivative instruments	(1.7)	0.3
Impairment loss	(2.2)	(1.5)
Net realized and unrealized gains (losses)	$ 0.7	$ (8.4)

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):

December 31, 2019		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	$ 7.7	$ 4.8	$ 2.9	$ —
States, municipalities and political subdivisions	440.1	—	440.1	—
Residential mortgage-backed securities	66.9	—	57.7	9.2
Commercial mortgage-backed securities	109.4	—	74.8	34.6
Asset-backed securities	577.8	—	27.2	550.6
Corporate and other	2,827.0	46.5	2,669.5	111.0
Total fixed maturity securities	4,028.9	51.3	3,272.2	705.4
Equity securities				
Common stocks	10.5	7.1	—	3.4
Perpetual preferred stocks	82.0	5.0	22.8	54.2
Total equity securities	92.5	12.1	22.8	57.6
Total assets accounted for at fair value	$ 4,121.4	$ 63.4	$ 3,295.0	$ 763.0
Liabilities				
Embedded derivative	$ 3.0	$ —	$ —	$ 3.0
Other	4.8	—	—	4.8
Total liabilities accounted for at fair value	$ 7.8	$ —	$ —	$ 7.8

December 31, 2018		Fair Value Measurement Using:		
	Total	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 Derivatives	$ 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 into Level 3 of $134.1 million primarily related to corporate securities during the year ended December 31, 2019. The Company's assessment resulted in a net transfer out of Level 3 of $59.3 million primarily related to corporate securities during the year ended December 31, 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.

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 year ended December 31, 2019 and 2018 (in millions):

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2018	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at December 31, 2019
Assets								
Fixed maturity securities								
States, municipalities and political subdivisions	—	—	0.1	—	(0.5)	4.2	(3.8)	—
Residential mortgage-backed securities	19.0	—	0.1	—	(1.9)	1.5	(9.5)	9.2
Commercial mortgage-backed securities	58.2	0.8	1.5	7.5	(37.6)	5.1	(0.9)	34.6
Asset-backed securities	478.2	(2.1)	14.1	184.4	(236.7)	189.1	(76.4)	550.6
Corporate and other	85.0	(3.2)	5.5	28.5	(28.5)	106.5	(82.8)	111.0
Total fixed maturity securities	640.4	(4.5)	21.3	220.4	(305.2)	306.4	(173.4)	705.4
Equity securities								
Common stocks	5.9	(1.5)	0.1	0.3	(1.2)	—	(0.2)	3.4
Perpetual preferred stocks	55.3	(3.9)	(0.1)	2.5	(2.6)	3.0	—	54.2
Total equity securities	61.2	(5.4)	—	2.8	(3.8)	3.0	(0.2)	57.6
Total financial assets	$ 701.6	$ (9.9)	$ 21.3	$ 223.2	$ (309.0)	$ 309.4	$ (173.6)	$ 763.0

		Total realized/unrealized (gains) losses included in						
	Balance at December 31, 2018	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at December 31, 2019
Liabilities								
Embedded derivative	$ 8.4	$ (5.4)	$ —	$ —	$ —	$ —	$ —	$ 3.0
Other	3.5	—	—	3.0	—	—	(1.7)	4.8
Total financial liabilities	$ 11.9	$ (5.4)	$ —	$ 3.0	$ —	$ —	$ (1.7)	$ 7.8

	Balance at December 31, 2017	Total realized/unrealized gains (losses) included in Net earnings (loss)	Total realized/unrealized gains (losses) included in Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at December 31, 2018
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	(6.4)	—
Residential mortgage-backed securities	14.6	0.2	0.2	33.7	(8.0)	8.1	(29.8)	19.0
Commercial mortgage-backed securities	12.2	(0.1)	(0.9)	47.5	(0.1)	1.8	(2.2)	58.2
Asset-backed securities	133.7	1.2	(31.6)	445.4	(79.8)	12.9	(3.6)	478.2
Corporate and other	26.3	(0.2)	(6.1)	116.8	(15.0)	24.8	(61.6)	85.0
Total fixed maturity securities	192.8	1.1	(38.5)	645.8	(102.9)	48.0	(105.9)	640.4
Equity securities								
Common stocks	0.2	0.8	—	0.1	—	4.8	—	5.9
Perpetual preferred stocks	6.4	(0.5)	—	56.0	(0.4)	3.5	(9.7)	55.3
Total equity securities	6.6	0.3	—	56.1	(0.4)	8.3	(9.7)	61.2
Derivatives	0.3	(0.3)	—	—	—	—	—	—
Total financial assets	$ 199.7	$ 1.1	$ (38.5)	$ 701.9	$ (103.3)	$ 56.3	$ (115.6)	$ 701.6

	Balance at December 31, 2017	Total realized/unrealized (gains) losses included in Net earnings (loss)	Total realized/unrealized (gains) losses included in Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at December 31, 2018
Liabilities								
Embedded derivatives	$ —	$ (4.1)	$ —	$ 12.5	$ —	$ —	$ —	$ 8.4
Other	4.7	(2.2)	—	1.2	(0.2)	—	—	3.5
Total financial liabilities	$ 4.7	$ (6.3)	$ —	$ 13.7	$ (0.2)	$ —	$ —	$ 11.9

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):

December 31, 2019	Carrying Value	Estimated Fair Value	Fair Value Measurement Using: Level 1	Fair Value Measurement Using: Level 2	Fair Value Measurement Using: Level 3
Assets					
Mortgage loans	$ 183.5	$ 183.5	$ —	$ —	$ 183.5
Policy loans	19.1	19.1	—	19.1	—
Other invested assets	—	—	—	—	—
Total assets not accounted for at fair value	$ 202.6	$ 202.6	$ —	$ 19.1	$ 183.5
Liabilities					
Annuity benefits accumulated [(1)]	$ 233.9	$ 231.0	$ —	$ —	$ 231.0
Long-term obligations [(2)]	804.7	801.6	—	801.6	—
Total liabilities not accounted for at fair value	$ 1,038.6	$ 1,032.6	$ —	$ 801.6	$ 231.0

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
Long-term 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):

	December 31, 2019	2018
Contracts in progress	$ 204.7	$ 188.2
Trade receivables	60.6	127.5
Unbilled retentions	53.9	65.6
Other receivables	21.1	4.2
Allowance for doubtful accounts	(2.5)	(6.3)
Total accounts receivable, net	$ 337.8	$ 379.2

8. Inventory

Inventory is recognized in the Consolidated Balance Sheets within Other assets, and consists of the following (in millions):

	December 31, 2019	2018
Raw materials and consumables	$ 21.2	$ 19.3
Work in process	1.1	1.6
Finished goods	0.3	0.4
	$ 22.6	$ 21.3

9. Recoverable from Reinsurers

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

		December 31, 2019		December 31, 2018	
Reinsurer	A.M. Best Rating	Amount	% of Total	Amount	% of Total
Munich American Reassurance Company	A+	$ 347.6	36.4 %	$ 335.0	33.5 %
Hannover Life Reassurance Company of America	A+	323.3	33.9 %	336.9	33.7 %
Loyal American Life Insurance Company	A	147.5	15.5 %	146.0	14.6 %
Great American Life Insurance Company	A	56.2	5.9 %	54.5	5.4 %
ManhattanLife Assurance Company of America	B+	47.0	4.9 %	89.5	8.9 %
Other		32.1	3.4 %	38.3	3.9 %
Total		$ 953.7	100.0 %	$ 1,000.2	100.0 %

During the year ended December 31, 2018, CGI recaptured two of their reinsurance treaties. The first of which received $161.4 million of cash, reduced its ceded reinsurance by $140.8 million and recognizing a gain of $20.6 million, included in Other income (expense), net. The second recapture received $168.0 million of cash, reduced its ceded reinsurance by $141.7 million and recognizing a gain of $26.3 million, included in Other income.

10. Property, Plant and Equipment, net

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

	December 31,	
	2019	2018
Cable-ships and submersibles	$ 246.5	$ 251.1
Equipment, furniture and fixtures, and software	214.1	148.0
Building and leasehold improvements	48.9	47.3
Land	36.8	32.8
Construction in progress	14.3	12.9
Plant and transportation equipment	13.5	12.0
	574.1	504.1
Less: Accumulated depreciation	168.3	127.8
Total	$ 405.8	$ 376.3

Depreciation expense was $52.3 million and $46.6 million for the years ended December 31, 2019 and 2018, respectively. These amounts included $9.1 million and $7.0 million of depreciation expense recognized within cost of revenue for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018 total net book value of equipment, cable-ships, and submersibles under capital leases consisted of $35.1 million and $40.0 million, respectively.

For the year ended December 31, 2019, our Marine Services segment recorded an impairment expense of $0.6 million, due to the under-utilization of assets on one of the segment's barges. For the year ended December 31, 2018, our Energy segment recorded an impairment expense of $0.7 million, of which $0.4 million was due to station performance and $0.3 million was related to the abandonment of a station development project.

11. Goodwill and Intangibles, net

Goodwill

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

	Construction	Marine Services	Energy	Telecom	Insurance	Life Sciences	Broadcasting	Other	Total
Balance at December 31, 2017	$ 38.6	$ 14.3	$ 2.1	$ 3.4	$ 47.3	$ 3.6	$ 20.6	$ 1.8	$ 131.7
Measurement Period Adjustment	—	—	—	—	—	—	0.8	—	0.8
Acquisitions	43.6	—	—	1.0	—	—	—	—	44.6
Dispositions	—	—	—	—	—	(3.6)	—	(1.8)	(5.4)
Balance at December 31, 2018	82.2	14.3	2.1	4.4	47.3	—	21.4	—	171.7
Measurement Period Adjustment	7.1	—	—	0.1	—	—	—	—	7.2
Impairments	—	—	—	(4.5)	(47.3)	—	—	—	(51.8)
Translation	(0.3)	—	—	—	—	—	—	—	(0.3)
Balance at December 31, 2019	$ 89.0	$ 14.3	$ 2.1	$ —	$ —	$ —	$ 21.4	$ —	$ 126.8

On an annual basis, the Company performs it's goodwill impairment review in accordance with ASC 350. Estimating the fair value of a reporting unit requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Company's assessment of a number of factors, including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves, and industry and general economic data from third-party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. After considering all quantitative and qualitative factors, the Company has determined that other than noted below it is more likely than not that the reporting units' fair values exceed carrying values as of the period end. Company reports goodwill impairment charges within the Asset impairment expense line of our Consolidated Statements of Operations.

Telecommunications

The Company impaired $4.5 million of Goodwill at our Telecommunications segment primarily due to the declining performance driven by deteriorating industry trends.

Insurance

The Insurance segment's operating entity, CGI, had a book value at December 31, 2019 of $503.6 million, inclusive of $198.9 million of AOCI. The increase in 2019 was largely driven by current year net income of $98.7 million, before the impact of the goodwill impairment, and an increase in AOCI of $288.0 million from December 31, 2018.

There were several factors that occurred in the fourth quarter of 2019, which impacted the fair value of the Insurance segment, primarily with respect to the future of the management fee agreement, along with our expectations of future dividends, after recent and ongoing discussions with our domestic regulator. While these factors do not have a major impact on the operations of the business, they do impact the ability to capture the value which is effectively trapped in the Insurance company.

As a result of the factors described above, our book value at CGI exceeded fair value, and the Company recognized a goodwill impairment charge of $47.3 million at our Insurance segment. Net income of CGI, after the impact of the goodwill impairment was $51.4 million for the year ended December 31, 2019. At December 31, 2019, after the impact of the goodwill impairment, the book value of CGI was $456.3 million, and we would expect additional book losses to the extent CGI is sold in the future.

Life sciences

Through the sale of BeneVir in the second quarter of 2018, $3.6 million of goodwill was deconsolidated.

Other

Through the deconsolidation of 704Games in the third quarter of 2018, $1.8 million of goodwill was deconsolidated. See Note 4. Acquisitions, Dispositions, and Deconsolidations, for additional detail regarding our acquisitions and dispositions.

Indefinite-lived Intangible Assets

The carrying amount of indefinite-lived intangible assets were as follows (in millions):

	December 31,	
	2019	2018
FCC licenses	$ 136.2	$ 120.6
State licenses	2.5	2.5
Total	$ 138.7	$ 123.1

The Broadcasting segment strategically acquires assets across the United States, which results in the recording of FCC licenses. Providing the Company acts within the requirements and constraints of the regulatory authorities, the renewal and extension of these licenses is reasonably certain at minimal costs. Accordingly, we have concluded that the acquired FCC licenses are indefinite-lived intangible assets.

In 2019, FCC licenses increased $15.6 million, $18.2 million of which was through acquisitions, offset by $2.3 million of impairments and $0.3 million loss on the sale of licenses. Our Broadcasting segment recorded the impairment as a result of its decision to forfeit FCC licenses in certain lower-ranked markets, and does not expect any significant changes to future cash flows as a result of these forfeitures. The Company reports intangible impairment charges within the Asset impairment expense line of our Consolidated Statements of Operations.

Definite Lived Intangible Assets

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

	Weighted-Average Original Useful Life	December 31, 2019			December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	13 Years	$ 26.0	$ (7.9)	$ 18.1	$ 25.9	$ (5.9)	$ 20.0
Customer relationships	10 Years	56.0	(15.7)	40.3	53.6	(7.2)	46.4
Channel sharing arrangements	40 Years	27.2	(0.9)	26.3	25.2	—	25.2
Developed technology	4 Years	1.2	(1.2)	—	1.2	(1.2)	—
Other	7 Years	5.5	(1.9)	3.6	5.5	(1.0)	4.5
Total		$ 115.9	$ (27.6)	$ 88.3	$ 111.4	$ (15.3)	$ 96.1

Amortization expense for definite lived intangible assets was $12.3 million and $4.9 million for the years ended December 31, 2019 and 2018, respectively, and was included in Depreciation and amortization in our Consolidated Statements of Operations.

VOBA

VOBA is amortized in relation to the projected future premium of the acquired long-term care blocks of business and recorded amortization increases net income for the respective period. Negative amortization of VOBA was $23.5 million and $12.8 million for the years ended December 31, 2019 and 2018, respectively,

Amortization

Excluding the impact of any future acquisitions, dispositions or change 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):

	Estimated Amortization	
	Definite Lived Intangible Assets	Negative VOBA
2020	$ 8.6	$ (20.8)
2021	8.3	(19.6)
2022	8.2	(18.4)
2023	8.0	(17.1)
2024	7.5	(15.9)
Thereafter	47.7	(129.2)
Total	$ 88.3	$ (221.0)

12. Life, Accident and Health Reserves

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

	December 31,	
	2019	2018
Long-term care insurance reserves	$ 4,201.6	$ 4,142.5
Traditional life insurance reserves	173.4	196.8
Other accident and health insurance reserves	192.1	222.8
Total life, accident and health reserves	$ 4,567.1	$ 4,562.1

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

	Years Ended December 31,	
	2019	2018
Beginning balance	$ 738.7	$ 243.5
Less: recoverable from reinsurers	(136.4)	(100.6)
Beginning balance, net	602.3	142.9
Opening balance due to business acquired	—	295.4
Less: recoverable from reinsurers	—	(55.9)
Net balance of business acquired	—	239.5
Incurred related to insured events of:		
Current year	211.8	216.6
Prior years	(47.2)	81.6
Total incurred	164.6	298.2
Paid related to insured events of:		
Current year	(17.5)	(15.0)
Prior years	(141.0)	(72.1)
Total paid	(158.5)	(87.1)
Interest on liability for policy and contract claims	21.9	8.8
Ending balance, net	630.3	602.3
Add: recoverable from reinsurers	131.0	136.4
Ending balance	$ 761.3	$ 738.7

The Insurance segment experienced a favorable claims reserve development of $47.2 million and an unfavorable claims reserve development of $81.6 million for the years ended December 31, 2019 and 2018, respectively.

The main drivers of the current year favorable development were due to an update to the estimate for remaining benefits to be paid and due to favorable development in claim termination rates experienced relative to prior years.

The main drivers of the prior year deficiency were post-acquisition recapture of two reinsurance treaties on the KIC block, post-acquisition reserve strengthening on the acquired KIC block, and variance in the development of claim termination rates and care transition settings on prior year incurred claims.

13. Accounts Payable and Other Current Liabilities

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

	December 31,	
	2019	2018
Accounts payable	$ 146.9	$ 104.7
Accrued expenses and other current liabilities	95.7	83.4
Accrued interconnection costs	43.5	103.0
Accrued payroll and employee benefits	40.9	44.2
Accrued interest	10.7	8.8
Accrued income taxes	1.9	0.8
Total accounts payable and other current liabilities	$ 339.6	$ 344.9

14. Debt Obligations

Debt obligations consist of the following (in millions):

	December 31, 2019	December 31, 2018
Construction		
LIBOR plus 5.85% Note, due 2023	$ 77.0	$ 80.0
LIBOR plus 1.5% Line of Credit	48.9	34.0
Obligations under finance leases	0.2	—
Marine Services [(1)]		
Obligations under finance leases	33.0	40.4
7.49% Note, due 2020	22.3	14.0
Notes payable and revolving lines of credit, various maturity dates	10.4	12.9
Energy		
LIBOR plus 3.0% Term Loan due in 2023	27.1	—
5.00% Term Loan due in 2022	11.2	12.4
4.50% Note due in 2022	10.2	11.3
Other, various maturity dates	2.4	3.2
Life Sciences		
Notes payable due in 2019	—	1.7
Broadcasting		
8.50% Notes due 2019	—	35.0
8.50% Note due 2020	36.2	—
10.50% Note due 2020	42.5	—
Other, various maturity dates	7.9	10.1
Obligations under finance leases	1.4	1.0
Non-Operating Corporate		
11.50% Senior Secured Notes, due 2021 [(2)]	470.0	470.0
7.50% Convertible Senior Notes, due 2022	55.0	55.0
LIBOR plus 6.75% Line of Credit [(3)]	15.0	—
Total	870.7	781.0
Issuance discount, net and deferred financing costs	(31.4)	(37.1)
Debt obligations	$ 839.3	$ 743.9

[(1)] In March 2020, HC2 sold GMSL
[(2)] In March 2020, HC2 issued a 30 days redemption notice for $76.9 million of its 11.50% Senior Secured Notes, due 2021
[(3)] In March 2020, HC2 repaid its LIBOR plus 6.75% Line of Credit

Aggregate finance lease and debt payments, including interest are as follows (in millions):

	Finance Leases	Debt	Total
2020	$ 11.0	$ 224.8	$ 235.8
2021	10.6	562.4	573.0
2022	10.0	79.3	89.3
2023	4.3	99.0	103.3
2024	2.5	12.1	14.6
Thereafter	1.0	8.2	9.2
Total minimum principal & interest payments	39.4	985.8	1,025.2
Less: Amount representing interest	(4.8)	(149.7)	(154.5)
Total aggregate finance lease and debt payments	$ 34.6	$ 836.1	$ 870.7

The interest rates on the finance leases range from approximately 4.0% to 10.7%.

Construction

Wells Fargo Facility

DBMG has a Credit and Security Agreement ("Wells Fargo Facility") with Wells Fargo Bank, National Association ("Wells Fargo"). Under the initial terms of the agreement, Wells Fargo agreed to advance up to a maximum amount of $50.0 million to DBMG, including up to $14.5 million of letters of credit (the "Revolving Line"). The Revolving Line had a floating interest rate based on LIBOR plus 2.0%, required monthly interest payments, and was due in April 2019.

The Wells Fargo Facility allows for the issuance by DBMG of additional loans in the form of notes of up to $10.0 million ("Real Estate Term Advance"), at LIBOR plus 2.5% and the issuance of a note payable of up to $15.0 million, ("Real Estate Term Advance 2") at LIBOR plus 2.5%, each as separate tranches of debt under the Wells Fargo Facility.

In April 2018, the Wells Fargo Facility was amended, increasing the maximum advance amount under the Revolving Line to $70.0 million, modifying the floating interest rate to daily three month LIBOR plus 1.5% and extending the maturity date through March 31, 2023. The amendment also created a $17.0 million long-term tranche under the $70.0 million Revolving Line with a maturity date of May 31, 2025. Additionally, The Real Estate Term Advance and Real Estate Advance 2 interest rates were modified to daily three month LIBOR plus 2.25% with a maturity date of April 2024.

In July 2018, the Wells Fargo Facility was amended, increasing the availability of the borrowing base allowing DBMG to borrow an additional $10.0 million of the $70.0 million total line and bearing interest at daily three month LIBOR plus 2.5%. The temporary borrowing base increase and related interest had an initial maturity date of October 2018, subsequently extended to November 2018.

In November 2018, the Wells Fargo Facility was amended, increasing the maximum advance amount under the Revolving Line to up to $80.0 million.

In May 2019, the Wells Fargo Facility was amended, permanently increasing the borrowing base to allow greater availability of the $80.0 million total line. The $17.0 million long-term tranche was also increased to $22.0 million with a maturity of May 2026. The Wells Fargo Facility maturity date was also extended to April 2024.

As of December 31, 2019, $20.2 million was issued through term loans and $28.7 million was issued through the revolver. In addition, $9.1 million in outstanding letters of credit were issued under the Wells Fargo Facility, of which zero has been drawn.

TCW Loan

In November 2018, DBMG and its subsidiaries entered into a financing agreement with TCW Asset Management Company LLC ("TCW"), for the aggregate principal amount of $80.0 million (the "TCW Loan"). The net proceeds from the TCW Loan were used to refinance the debt assumed and closing costs of the GrayWolf acquisition. The TCW Term Loan matures on the earlier of (a) November 30, 2023; (b) the maturity date of the Wells Fargo Facility; and (c) the 60 days prior to the maturity of the Senior Secured Notes and/or Convertible Notes if, on that day (and solely for so long as), any of such indebtedness remain outstanding. The TCW Loan bears interest at a rate of 5.85% above the three month LIBOR.

Marine Sciences

Shawbrook Loan

In April 2018, GMSL entered into a 7.49% fixed interest only loan, due April 2019, with Shawbrook Bank Limited for £7.2 million, or approximately $9.4 million at issuance ("Shawbrook Loan"), the net proceeds used to fund capital expenditures, being mainly upgrades to cable ships, and working capital requirements on installation contracts.

In September 2018, GMSL refinanced the Shawbrook loan, extending the principal balance to £11.0 million, or approximately $14.4 million at issuance, and extending the maturity date to September 2019. The net proceeds were used to pay the principal balance of the original Shawbrook loan and repay the debt associated with the purchase of the Fugro trenching business acquisition.

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

Term Loans

In May 2017, ANG entered into a term loan with M&T Bank for $12.0 million. The loan bears fixed interest annually at 5.00% and matures in 2022. During the third quarter 2017, ANG drew on the term loan for an additional $2.5 million at 4.85%.

In January 2017, ANG refinanced and consolidated all three of its loans with Pioneer Savings Bank ("Pioneer") into a new term loan. The principal balance outstanding bears fixed interest at a fixed rate annually equal to 4.5% and matures in 2022. The agreement with Pioneer also includes a revolving demand note for $1.0 million with an annual renewal provision that bears interest at monthly LIBOR plus 3.0% (the "Pioneer Demand Note"). In September 2017, ANG increased the availability under the Pioneer Demand Note to $1.5 million. As of December 31, 2019, there was $10.2 million aggregate principal outstanding under the Pioneer term loan and $1.3 million drawn under the Pioneer Demand Note.

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 the ampCNG stations.

Insurance

In July 2018, in connection with the signed agreement to purchase the long-term care block of Humana, CGI obtained a three month surplus note (the "Surplus Note") from Humana, issued July 17, 2018 and due September 14, 2018, in the amount of $32.0 million. The Surplus Note was paid in full in August 2018.

Life Sciences

R2 Notes

In December 2017, R2 issued 11% secured convertible drawdown promissory notes for $1.25 million, maturing on December 2018. In 2018, R2 drew on the notes for an additional $0.5 million, and entered into an amendment extending the maturity date to December 2019. 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

On October 24, 2019, Broadcasting issued $78.7 million 364-day secured notes (the "2020 Notes"). The privately placed notes were comprised of a $36.2 million, 8.50%,tranche, funded by an affiliate of MSD Partners, L.P. (the “8.50%% Note due 2020”). The remaining $42.5 million, 10.50% tranche (the “10.50% Note due 2020”) was a modification of the existing 8.50%, 364-day Secured Note, with certain institutional investors. The 2020 Notes have a paid-in-kind ("PIK") coupon and mature in October 2020. The net proceeds from the financing were used to retire HC2 Broadcasting’s existing debt, as well as fund pending acquisitions, working capital and general corporate purposes. In connection with the issuance of the 10.50% Note due 2020, Broadcasting issued warrants to the same institutional investors to purchase 50,000 shares of common stock at $176.4 per share for a total purchase price of $8.8 million, or net settled, if exercised as of the issuance date, and as may be adjusted at any future exercise of the warrant pursuant to its terms. The warrant has a five-year term and is immediately exercisable.

As of December 31, 2018, there were $35.0 million of 8.50%, 364-day Secured Notes which were issued on August 7, 2018. The 364-day Secured Note was used to finance certain acquisitions and for general corporate purposes. In January 2019, the capacity of the 364-day Secured Note was increased by $15.0 million to $50.0 million and institutional investors funded $7.5 million of the 8.5% Notes bringing the total outstanding 8.5% Notes balance to $42.5 million, which were later modified by the 10.50% Note due 2020, as described above . In April 2019, an additional $0.7 million of notes were issued at 8.50% and later repaid in full with the proceeds from the issuance of the 8.50% Note due 2020. In May, August, and September of 2019, Broadcasting issued an additional $21.5 million of notes bearing interest of 8.50% that were repaid in full with the proceeds from the issuance of the 8.50% Note due 2020.

Non-Operating Corporate

On November 20, 2018, HC2 repaid its 11.0% Notes, and issued $470.0 million aggregate principal amount of 11.5% senior secured notes due 2021 (the "Senior Secured Notes") and $55.0 million aggregate principal amount of 7.5% convertible senior notes due June 1, 2022 (the "Convertible Notes"). The Senior Secured Notes and Convertible notes were issued in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Convertible Notes have an effective interest rate of 17.54% which reflects $12.5 million discount due to the bifurcated conversion feature and $1.9 million deferred financings fees.

The Company accounted for the transaction under the debt extinguishment model as the present value cash flows under the terms of the Senior Secured Notes and Convertible Notes was at least 10% different from the present value of the remaining cash flows under the 11.0% Notes. Unamortized debt issuance costs and net original issuance premium in the amount of $2.6 million were recorded within Other income.

Senior Secured Notes

The Senior Secured Notes were issued under an indenture dated November 20, 2018, by and among the Company, the guarantors party thereto and U.S. Bank National Association, a national banking association ("U.S. Bank"), as trustee (the "Secured Indenture"). The Senior Secured Notes were issued at 98.75% of par, which translated into a discount of $5.9 million.

Convertible Notes

The Convertible Notes were issued under a separate indenture dated November 20, 2018, between the Company and U.S. Bank, as trustee (the "Convertible Indenture"). The Convertible Notes were issued at 100% of par.

Each $1,000 of principal of the Convertible Notes will initially be convertible into 228.3105 shares of our common stock, which is equivalent to an initial conversion price of approximately $4.38 per share, subject to adjustment upon the occurrence of specified events.

In accordance with ASC Topic 815-15, *Derivatives and Hedging*, the embedded conversion feature contained in the Convertible Notes is required to be bifurcated and recorded as a derivative liability and marked to market in each reporting period. The embedded conversion feature had a fair value of $12.5 million on the transaction date, which was recorded as a discount on the Convertible Notes and included within Other liabilities on our Consolidated Balance Sheets. The fair value of the embedded conversion feature was $3.0 million as of December 31, 2019, the change in fair value from the transaction date being recorded within Other income.

In conjunction with the issuance of the Convertible Notes in 2018, the Company incurred a consent fee payable to preferred stockholders of $3.8 million. This fee was recorded within the Preferred stock and deemed dividends line item of the Consolidated Statements of Operations as a deemed dividend.

At December 31, 2019, the Convertible Notes had a net carrying value of $44.2 million and an unamortized discount of $9.4 million. Based on the closing price of our common stock of $2.17 on December 31, 2019, the if-converted value of the Convertible Notes did not exceed its principal value.

For the year ended December 31, 2019, interest cost recognized for the period relating to both the contractual interest coupon and amortization of the discount on the Convertible notes was $4.1 million and $2.9 million, respectively. For the year ended December 31, 2018, interest cost recognized for the period relating to both the contractual interest coupon and amortization of the discount on the Convertible notes was $0.5 million and $0.3 million, respectively.

Line of credit

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 in June 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.

15. Leases

Operating lease right-of-use-assets and finance leases are recognized in the consolidated balance sheets within Other assets and Property, plant and equipment, net, respectively. Operating lease liability and finance lease liability are recognized in the consolidated balance sheet within Other liabilities and Debt obligations, respectively. As of December 31, 2019, lease right-of-use assets and lease liabilities consists of the following (in millions):

Right-of-use assets:		
Operating lease (Other assets)	$	70.2
Finance lease (Property, plant and equipment, net)		35.1
Total right-of-use assets	$	105.3
Lease liabilities:		
Operating lease (Other liabilities)	$	75.0
Finance lease (Debt obligations)		34.6
Total lease liabilities	$	109.6

The tables below present financial information associated with the Company's leases. This information is only presented as of, and for the year ended December 31, 2019 as the Company adopted ASC 842 using a transition method that does not require application to periods prior to adoption. The Company has entered into operating and finance lease agreements primarily for land, office space, vessels, equipment and vehicles, expiring between 2020 and 2045.

The following table summarizes the components of lease expense for the year ended December 31, 2019 (in millions):

Finance lease cost:	
Amortization of right-of-use assets	$ 7.8
Interest on lease liabilities	2.3
Net finance lease cost	10.1
Operating lease cost	23.6
Variable lease cost	0.7
Sublease income	(0.1)
Total lease cost	$ 34.3

Cash flow information related to leases for the year ended December 31, 2019 are as follows (in millions):

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 1.7
Financing cash flows from finance leases	$ 9.8
Operating cash flows from operating leases	$ 25.8
Right-of-use assets obtained in exchange for new lease liabilities	
Finance leases	$ 2.1
Operating leases	$ 90.1

As of December 31, 2019, the weighted-average remaining lease term and the weighted-average discount rate for finance leases and operating leases are as follows:

Weighted-average remaining lease term (years) - operating lease	5.2
Weighted-average remaining lease term (years) - finance lease	3.8
Weighted-average discount rate - operating lease	6.9 %
Weighted-average discount rate - finance lease	6.6 %

As of December 31, 2019, undiscounted cash flows for finance and operating leases are as follows (in millions):

	Operating Leases	Finance Leases
2020	$ 23.0	$ 11.0
2021	20.9	10.6
2022	13.3	10.0
2023	10.2	4.3
2024	8.1	2.5
Thereafter	14.4	1.0
Total future lease payments	89.9	39.4
Less: Present values	(14.9)	(4.8)
Total lease liability balance	$ 75.0	$ 34.6

The Company expects $5.4 million of lease payments in 2020 resulting from short-term leases not accounted for under ASC 842.

16. Income Taxes

The provisions (benefits) for income taxes for the years ended December 31, 2019 and 2018 were as follows (in millions):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Current: Federal	$ 3.5	$ 0.5
State	2.6	3.6
Foreign	1.4	1.0
Subtotal Current	7.5	5.1
Deferred: Federal	(27.7)	(1.4)
State	(0.3)	(0.2)
Foreign	(0.1)	(1.1)
Subtotal Deferred	(28.1)	(2.7)
Income tax (benefit) expense	$ (20.6)	$ 2.4

The US and foreign components of income (loss) from continuing operations before income taxes for the years ended December 31, 2019 and 2018 were as follows (in millions):

	Years Ended December 31, 2019	Years Ended December 31, 2018
US	$ (58.3)	$ 179.6
Foreign	1.6	2.7
Income (loss) from continuing operations before income taxes	$ (56.7)	$ 182.3

The provisions (benefits) for income taxes differed from the amount computed by applying the federal statutory income tax rate to income (loss) before income taxes due to the following items for the years ended December 31, 2019 and 2018 (in millions):

	Years Ended December 31, 2019	Years Ended December 31, 2018
Tax provision (benefit) at federal statutory rate	$ (11.9)	$ 38.3
Permanent differences	0.3	1.5
State tax, net of federal benefit	(7.3)	6.2
Foreign rate differential	1.4	(0.9)
Minority interest	0.2	(4.6)
Executive and stock compensation	2.5	3.5
Increase (decrease) in valuation allowance	(7.6)	(43.8)
Transaction costs	0.1	1.5
Tax credits generated/utilized	(2.2)	—
Return to provision	(6.0)	15.6
ASU 2017-11 adoption	(1.3)	—
Goodwill impairment	10.9	—
Gain/loss on sale or deconsolidation of a subsidiary	—	5.7
Bargain purchase gain	—	(24.2)
Other	(1.8)	3.6
Warrant liability	2.1	—
Income tax (benefit) expense	$ (20.6)	$ 2.4

The income tax benefit as of December 31, 2019 is $20.6 million. The benefit was primarily driven by a net valuation allowance release of $37.4 million related to the Insurance segment partially offset by an impairment of goodwill which is not deductible for tax purposes. The Insurance segment is profitable in 2019 and in a three-year overall cumulative income position as of December 31, 2019. The profitability is driven by current year income associated with favorable claims and reserve development relative to expected. Further, unrealized gains from the investment portfolio continued to grow in 2019.

The amount recorded as of December 31, 2018 primarily relates to separate state filings that do not have net operating losses available to offset income. In the third quarter of 2018, the Insurance segment acquired Humana’s long-term care business, Kanawha Insurance Company. The combined insurance entity generated a net operating loss for the year due to additional tax deductions related to increases in policy holder reserves. In addition, the bargain purchase gain is not taxable. This net operating loss was carried forward but had a valuation allowance. Additionally, the income tax expense generated from the sale of BeneVir in the second quarter of 2018 is offset by tax attributes for which a valuation allowance had been recorded. Therefore, there is no net income tax expense recorded in the income statement for the sale.

Deferred income taxes reflect the net income tax effect of temporary differences between the basis of assets and liabilities for financial reporting purposes and for income tax purposes. Net deferred tax balances are comprised of the following as of December 31, 2019 and 2018 (in millions):

	December 31, 2019	December 31, 2018
Net operating loss carryforwards	$ 89.2	$ 97.0
Basis difference in fixed assets	3.2	2.3
Deferred compensation	12.7	11.7
Lease liability	17.4	—
UK trading loss carryforward	38.3	37.8
Sec. 163(j) carryforward	39.6	15.9
Insurance claims and reserves	166.1	163.6
Value of insurance business acquired ("VOBA")	48.5	53.8
Deferred acquisition costs	16.7	13.4
Other deferred tax assets	14.3	11.7
Total deferred tax assets	446.0	407.2
Valuation allowance	(121.8)	(126.7)
Total net deferred tax assets	324.2	280.5
Basis difference in intangibles	(19.1)	(21.0)
Basis difference in fixed assets	(24.8)	(17.0)
Insurance company investments	(335.0)	(264.2)
Right of use assets	(16.2)	—
Other deferred tax liabilities	(10.1)	(6.5)
Total deferred tax liabilities	(405.2)	(308.7)
Net deferred tax liabilities	$ (81.0)	$ (28.2)

Deferred tax assets refer to assets that are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets in essence represent future savings of taxes that would otherwise be paid in cash. The realization of the deferred tax assets is dependent upon the generation of sufficient future taxable income, including capital gains. If it is determined that the deferred tax assets cannot be realized, a valuation allowance must be established, with a corresponding charge to net income.

In accordance with ASC 740, the Company establishes valuation allowances for deferred tax assets that, in its judgment are not more likely-than-not realizable. These judgments are based on projections of future income or loss and other positive and negative evidence by individual tax jurisdiction. Changes in industry and economic conditions and the competitive environment may impact these projections. In accordance with ASC Topic 740, during each reporting period the Company assesses the likelihood that its deferred tax assets will be realized and determines if adjustments to its valuation allowances are appropriate.

Management evaluated the need to maintain the valuation allowance against the deferred taxes of the HC2 Holdings, Inc. U.S. consolidated tax group (“the group”) for each of the reporting periods based on the positive and negative evidence available. The objective negative evidence evaluated was the group’s historical operating results over the prior three-year period. The group is in a cumulative three-year loss as of December 31, 2019 and is forecasting losses in the near future, which provide negative evidence that is difficult to overcome and would require a substantial amount of objectively verifiable positive evidence of future income to support the realizability of the group’s deferred tax assets. While positive evidence exists by way of unrealized gains in the Company’s investments, management concluded that the negative evidence now outweighs the positive evidence. Thus, it is more likely than not that the group’s US deferred tax assets will not be realized.

Management evaluated the need to maintain the valuation allowance against the deferred taxes of the Insurance Company for each of the reporting periods. Included in this assessment was the Insurance Company’s historical operating results over the prior three-year period. Additional positive and negative evidence was considered including the timing of the reversal of the deferred tax assets and liabilities, and projections of future income from the runoff of the insurance business. As a result of management’s assessment, it was determined that since the Insurance Company is in a cumulative three-year income position which is expected to continue as supported by the projections of future income, the Insurance segment has released, in full, the $37.4 million valuation allowance as part of continuing operations.

Valuation allowances have been maintained against deferred tax assets of the European entities, including GMSL's UK non-tonnage tax trading losses, and losses generated by certain businesses that do not qualify to be included in the HC2 Holdings, Inc. U.S. consolidated income tax return.

At December 31, 2019, the Company has gross U.S. net operating loss carryforwards available to reduce future taxable income in the amount of $147.5 million. Additionally, the Company has $198.9 million of gross U.S. net operating loss carryforwards from its subsidiaries that do not qualify to be included in the HC2 U.S. consolidated income tax return, including $117.1 million from the Insurance segment, $34.9 million from R2, $22.3 million from DTV America, and $20.5 million from ANG and other entities of $4.2 million.

Due to U.S. enacted Public Law 115-97, known informally as the Tax Cuts and Jobs Act (the "TCJA") in 2017, U.S. net operating loss carryforwards in the amount of $29.9 million, generated after 2017 have an indefinite carryforward period. U.S. net operating loss carryforwards, in the amount of $117.6 million, generated prior to 2018 will expire, if unused, by 2037.

Pursuant to the rules under Section 382, the Company believes that it underwent an ownership changes on May 29, 2014 and $46.1 million gross U.S. net operating losses recorded in the consolidated financial statements are subject to an annual limitation under IRC Sec. 382 of approximately $2.3 million. On November 4, 2015, HC2 issued 8,452,500 shares of its stock in a primary offering. The Company believes the issuance resulted in a Section 382 ownership change and $31.7 million gross U.S. net operating losses recorded in the consolidated financial statements are subject to IRC Sec. 382.

The purchase of GrayWolf Industrial on November 30, 2018 triggered a Section 382 ownership change. $57.1 million of federal net operating losses acquired are subject to an annual limitation between $3.0 million and $4.0 million for the first five years beginning in 2019 and $1.1 million afterwards. $25.4 million of the GrayWolf U.S. net operating losses subject to Section 382 were generated in 2018, therefore they do not expire.

Additionally, the Company has $11.4 million of acquired U.S. net operating losses from DTV America, which is subject to an annual limitation under Section 382 of the Internal Revenue Code.

As of December 31, 2019, the Company had foreign operating loss carryforwards of approximately $228.1 million. Of the foreign NOLs, $212.7 million were generated by GMSL's historical non-tonnage tax operations.

The Company follows the provision of ASC 740 which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes.

The Company did not have any unrecognized tax benefits as of December 31, 2019 and 2018 related to uncertain tax positions.

The Company conducts business globally, and as a result, HC2 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. Tax years 2002-2019 remain open for examination.

The Company is currently under examination in various domestic and foreign tax jurisdictions. 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.

17. Commitments and Contingencies

Future minimum purchase obligations as of December 31, 2019 were as follows (in millions):

2020	$ 86.3
2021	3.3
2022	0.2
2023	0.2
2024	0.2
Thereafter	—
Total obligations	$ 90.2

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.

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.

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 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 Court held a final settlement hearing on September 17, 2019. On October 7, 2019, the Court entered a final approval order certifying the class and approving the class settlement. On October 22, 2019, the Court granted Plaintiffs' motion for attorney's fees and costs. On October 25, 2019, the Court entered final judgment and closed the Ohio action. The case pending before the District of Nebraska was dismissed with prejudice on November 12, 2019, pursuant to the parties' joint stipulation.

The Company and CGI sought 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. The dispute is ongoing and CGI intends to continue to pursue its right to a defense and indemnity under the SPA regardless of the tentative settlement in the class action. Meanwhile, the parties' continued settlement negotiations resulted in a settlement agreement in the Delaware action. The settlement agreement, which was contingent on the final approval of the class action settlement in the Ohio action, required CGI to contribute $250,000 to the settlement payment made by GAFRI in the class action. No further contributions to the class action settlement will be required of CGI. Once the class action settlement became final, CGI and GAFRI filed a joint stipulation to dismiss the Delaware action, which stipulation was entered by the Court on January 21, 2020. The Delaware action is now closed.

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 plaintiff and 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 now-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. On November 15, 2019, the parties filed definitive documentation in support of a proposed settlement of the action. On January 14, 2020, plaintiff filed an amended complaint restating and elaborating on the claims raised in the Complaint. The Amended Complaint seeks compensatory and rescissory damages, as well as attorney’s fees and other relief.

On February 13, 2020, the Court held a settlement hearing to consider the proposed settlement and certain objections filed by two current DBMG stockholders. The Court expressed concerns about certain terms of the proposed settlement and the parties are considering how to address the Court’s concerns. There can be no assurance that any settlement will be resubmitted by the parties or that the Delaware Courts will approve any settlement proposed by the parties. 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.

18. Employee Retirement Plans

HC2

The Company sponsors a 401(k) employee benefit plan (the "401(k) Plan") that covers substantially all United States based employees. Employees may contribute amounts to the 401(k) Plan not to exceed statutory limitations. The 401(k) Plan provides an employer matching contribution in cash of 50% of the first 6% of employee annual salary contributions capped at $6,000.

The matching contribution made during each of the years ended December 31, 2019,and 2018 was $0.3 million and $0.4 million, respectively.

DBMG

Certain of DBMG’s fabrication and erection workforce are subject to collective bargaining agreements. DBMG contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the "Act") may, under certain circumstances, cause DBMG to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. Under the Act, liabilities would be based upon DBMG’s proportionate share of each plan’s unfunded vested benefits.

DBMG made contributions to various Pension Trusts of $6.2 million and $12.2 million during the years ended December 31, 2019 and 2018, respectively. DBMG’s funding policy is to make monthly contributions to the plan. DBMG’s employees represent less than 5% of the participants in the Pension Trusts. As of December 31, 2019, DBMG has not undertaken to terminate, withdraw, or partially withdraw from the Field Pension.

DBMG maintains a 401(k) retirement savings plan which covers eligible employees and permits participants to contribute to the plan, subject to Internal Revenue Code restrictions and which features matching contributions of 100% of the first 1%, and 50% of the next 5% of employee annual salary contributions, depending on the subsidiary. The matching contributions for the years ended December 31, 2019 and 2018 was $1.8 million and $1.2 million, respectively.

GMSL

GMSL has established a number of pension schemes and contribute to other pension schemes around the world covering many of its employees. The principal funds are those in the UK comprising The Global Marine Systems Pension Plan, The Global Marine Personal Pension Plan (established in 2008), and Global Marine Systems (Guernsey) Pension Plan. A small number of employees are members of the MNOPF, a centralized defined benefit scheme to which the GMSL contributes.

The Global Marine Systems Pension Plan, the Global Marine Systems (Guernsey) Pension Plan and the MNOPF are defined benefit plans with assets held in separate trustee administered funds. However as the Global Marine Systems (Guernsey) Pension Plan, which operates both a Career Average Re-valued Earnings ("CARE") defined benefit section and a defined contribution section is small with few members, the scheme is accounted for as defined contribution type plan. The Global Marine Personal Pension Plan is predominantly of the money purchase type.

The Global Marine Systems Pension Plan was a hybrid, exempt approved, occupational pension scheme for the majority of staff, which provides pension and death in service benefits. The defined benefit section of the Plan provided final salary benefits up to December 31, 2003 and CARE benefits from January 1, 2004. In 2008 the defined contribution section was closed to new contributions and all the accumulated funds attributable to the defined contribution members were transferred to a Contracted in Money Purchase Scheme ("CIMP") set up by GMSL. These funds were held on behalf of the defined contribution members and were all transferred to the Global Marine Personal Pension plan of each member on or before June 30, 2009. From August 31, 2006 the defined benefit section of the Scheme closed to future accrual and active members were offered membership of the existing defined contribution section (with some enhanced benefits).

Global Marine Systems Pension Plan - Defined Benefit Section

The defined benefit section of the Global Marine Systems Plan (prior to its closure on August 31, 2006) was contributory, with employees contributing between 5% and 8% (depending on their age) and the employer contributing at a rate of 9.2% of pensionable salary plus deficit contributions of $1.4 million per year.

The defined benefit section of the Global Marine Systems Pension Plan is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method. The most recent full actuarial valuation was conducted as of December 31, 2016 valuation, for the purpose of determining the funding requirements of the plan. The main assumptions used were as follows:

Assumption		
Retail price inflation		Break even RPI curve
Consumer price inflation		RPI inflation curve less 1.1%
Rate of return on investments (post-retirement)		Fixed interest gilt yield curve plus 0.7%
At the actuarial valuation date the market value of the defined benefit section’s assets (in millions)	$	173.3
On a statutory funding objective basis the value of these assets covered the value of technical provisions by		80 %

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 $13.1 million deferred from 2016 and 2017 due in December 2017 have been further deferred. To support this deferral, the Company has provided secured assets in the form of the CWind Phantom crew transfer vessel and two trenchers. 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. As of December 31, 2019, the fixed contributions are payable in installments, comprise approximately $7.1 million in 2020, approximately $7.2 million in 2021 and approximately $3.1 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.

Global Marine Personal Pension Plan

This is a defined contribution pension scheme and is contributory from the employee; the rate of contributions is split as follows:

- ex-CARE employees contributing between 2.5% and 7.5% and the employer contributing at a matching rate plus an additional 5% fixed contributions; and
- defined contribution employees contributing between 2% and 7.5% and the employer contributing at a matching rate.

For the year ended December 31, 2019, $7.0 million of contributions have been made to the Company's pension plans, comprising $6.7 million of fixed contributions and $0.3 million of profit-related contributions. For the year ended December 31, 2018, GMSL made contributions of $3.8 million, comprising $2.6 million of fixed contributions and $1.2 million of profit-related contributions.

MNOPF

The MNOPF is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method. The most recent available full actuarial valuation was conducted as at March 31, 2015 for the purpose of determining the funding requirements of the plan. The main assumptions used were that Retail Price Inflation would be 3.1% per year, Consumer Price Inflation would be 2.1% per year, the rate of return on investments (pre-retirement) would be 4.75% per year, the rate of return on investments (post-retirement) would be 2.6% per year and with pensions increasing (where relevant) by 2.9% per year.

At the actuarial valuation date the market value of the total assets in the scheme amounted to $3.6 billion of which 0.08% ($2.8 million) relates to GMSL. On an on-going basis the value of these assets, together with the deficit contributions receivable of $394 million, covered the value of pensioner liabilities, preserved pension liabilities for former employees and the value of benefits for active members based on accrued service and projected salaries, to the extent of 99.7%.

Following the March 31, 2016 actuarial valuation, contributions are payable by the GMSL as follows:

- Maintain employer contributions to 20% of pensionable salaries to September 30, 2016, and then no more contributions thereafter.

Global Marine Systems (Guernsey) Pension Plan

The defined benefit section of the Guernsey Scheme is contributory, with employees contributing between 5% and 8% (depending on their age), the employer ceased contributing after July 2004. The defined contribution section is also contributory, with employees contributing between 2% and 7.5% (depending on their age and individual choice) and the employer contributing at a matching rate. The defined benefit section of the Guernsey Scheme is funded by the payment of contributions determined with the advice of qualified independent actuaries on the basis of triennial valuations using the projected unit method.

The most recent full actuarial valuation was conducted as of December 31, 2016 for the purpose of determining the funding requirements of the plan. The principal actuarial assumptions used by the actuary were investment returns of 3.5% per year pre-retirement, 2.6% per year post-retirement, inflation of 3.7% per year and pension increases of 3.4% per year.

At the valuation date the market value of the assets amounted to $2.6 million. The results show a past service shortfall of $1.0 million corresponding to a funding ratio of 73%.

Following the December 31, 2016 actuarial valuation, contributions are as follows:

- Six annual contributions of less than $0.2 million from December 31, 2019 to 2024 with a final contribution of $0.1 million on April 30, 2025.

Collectively hereafter, the defined benefit plans will be referred to as the "Plans".

<u>Obligations and Funded Status</u>

For all company sponsored defined benefit plans and our portion of the MNOPF, the benefit obligation is the "projected benefit obligation," the actuarial present value, as of our December 31 measurement date, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered. It is measured based on assumptions concerning future interest rates and future employee compensation levels.

The following table presents this reconciliation and shows the change in the projected benefit obligation for the Plans for the period from December 31, 2017 through December 31, 2019 (in millions):

Projected benefit obligation at December 31, 2017	$	208.7
Service cost - benefits earning during the period		—
Interest cost on projected benefit obligation		5.3
Contributions		—
Actuarial loss		(11.6)
Benefits paid		(10.0)
Foreign currency loss		(11.1)
Projected benefit obligation at December 31, 2018		181.3
Service cost - benefits earning during the period		—
Interest cost on projected benefit obligation		5.3
Contributions		—
Actuarial loss		20.2
Benefits paid		(6.8)
Foreign currency loss		5.9
Projected benefit obligation at December 31, 2019	$	205.9

The following table presents the change in the value of the assets of the Plans for the period from December 31, 2017 through December 31, 2019 and the plans' funded status at December 31, 2019 (in millions):

Fair value of plan assets at December 31, 2017	$	190.2
Actual return on plan assets		(11.7)
Benefits paid		(10.0)
Contributions		3.8
Foreign currency gain (loss)		(9.5)
Fair value of plan assets at December 31, 2018		162.8
Actual return on plan assets		18.7
Benefits paid		(6.8)
Contributions		7.0
Foreign currency gain (loss)		5.7
Fair value of plan assets at December 31, 2019		187.4
Unfunded status at end of year	$	18.5

Amounts recognized in the consolidated balance sheets within Other assets and Other liabilities at December 31, 2019 and 2018 are listed below (in millions):

	December 31,	
	2019	2018
Pension Asset	$ 0.4	$ —
Pension Liability	18.8	18.6
Net pension liability recognized	$ 18.4	$ 18.6

The accumulated benefit obligation for the Plans represents the actuarial present value of benefits based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels. As of December 31, 2019 contributions of $32.0 million were due to be payable to the Plans.

Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

Periodic Benefit Costs

The aggregate net pension cost recognized in the consolidated statements of operations were costs of $6.5 million and $4.6 million for the years ended December 31, 2019 and 2018, respectively.

The following table presents the components of net periodic benefit cost are as follows (in millions):

	Years Ended December 31,	
	2019	2018
Service cost—benefits earning during the period	$ —	$ —
Interest cost on projected benefit obligation	5.3	5.3
Expected return on assets	(6.7)	(7.5)
Actuarial (gain) loss	7.9	6.7
Foreign currency gain (loss)	—	0.1
Net pension (benefit) cost	$ 6.5	$ 4.6

Of the amounts presented above, income of $1.4 million has been included in cost of revenue and loss of $7.9 million included in other comprehensive income for the year ended December 31, 2019, and income of $2.1 million has been included in cost of revenue and loss of $6.7 million included in other comprehensive income for the year ended December 31, 2018.

In determining the net periodic pension cost for the Plans, GMSL used the following weighted average assumptions: the pension increase assumption is that for benefits increasing with RPI limited to 5% per year, to which the majority of the Plan's liabilities relate. GMSL employs a building block approach in determining the long-term rate of return of pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Plans as of December 31, 2019.

	Years Ended December 31,	
	2019	2018
Discount rate	3.00 %	2.60 %
Rate of compensation increases (MNOPF only)	N/A	N/A
Rate of future RPI inflation	3.15 %	3.15 %
Rate of future CPI inflation	2.05 %	2.05 %
Pension increases in payment	3.05 %	3.00 %
Long-term rate of return on assets	4.15 %	3.99 %

Other Changes in Benefit Obligations Recognized in Other Comprehensive Income

The following tables present the after-tax changes in benefit obligations recognized in comprehensive income and the after-tax prior service credits that were amortized from AOCI into net periodic costs are as follows (in millions):

	Years Ended December 31,	
	2019	2018
Net loss (gain)	$ 6.3	$ 4.9
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 6.3	$ 4.9

	Years Ended December 31,	
	2019	2018
Actuarial (gain) loss	$ 7.9	$ 6.7
Total recognized in other comprehensive (income) loss	$ 7.9	$ 6.7

There is zero estimated loss for pension benefits to be amortized from AOCI into net periodic benefit cost in fiscal year 2020.

Estimated Future Benefit Payments

Expected benefit payments are estimated using the same assumptions used in determining the Plan's benefit obligation at December 31, 2019. Because benefit payments will depend on future employment and compensation levels, average years employed, average life spans, and payment elections, among other factors, changes in any of these factors could significantly affect these expected amounts. The following table provides expected benefit payments under our pension and post-retirement plans (in millions):

2020	$ 7.2
2021	7.4
2022	7.6
2023	7.8
2024	8.0
Thereafter	43.0
Total	$ 81.0

Aggregate expected contributions in the coming fiscal year are expected to be $32.0 million.

Plan Assets - Description of plan assets and investment objectives

The assets of the Plans consist primarily of private and public equity, government and corporate bonds, among others. The asset allocations of the Plans are maintained to meet regulatory requirements where applicable. Any contributions to the Plans are made to a pension trust for the benefit of plan participants.

The principal investment objectives are to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios, to maximize long-term investment return with an acceptable level of risk based on our pension and post-retirement obligations, and to be broadly diversified across and within the capital markets to insulate asset values against adverse experience in any one market. Each asset class has broadly diversified characteristics. Substantial biases toward any particular investing style or type of security are sought to be avoided by managing the aggregation of all accounts with portfolio benchmarks. Asset and benefit obligation forecasting studies are conducted periodically, generally every two to three years, or when significant changes have occurred in market conditions, benefits, participant demographics or funded status. Decisions regarding investment policy are made with an understanding of the effect of asset allocation on funded status, future contributions and projected expenses.

The Plans' weighted-average asset targets and actual allocations as a percentage of Plan assets, including the notional exposure of future contracts by asset categories at December 31, 2019, are as follows:

	Target	December 31, 2019
Liability hedging	29.9 %	37.1 %
Equities	12.9 %	6.9 %
Hedge funds	29.4 %	36.3 %
Corporate bonds	20.8 %	18.1 %
Property	6.1 %	1.6 %
Other	0.9 %	— %
Total	100.0 %	100.0 %

Investment Valuation

GMSL's plan investments related to the Global Marine Systems Pension Plan and MNOPF consist of the following (in millions):

	Global Marine Systems Pension Plan		MNOPF	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Equities	$ 23.9	$ 29.6	$ 0.3	$ 0.3
Liability Hedging Assets	53.6	52.5	2.0	1.6
Hedge Funds	54.8	42.8	0.5	0.4
Corporate Bonds	38.6	25.8	0.5	0.4
Property	11.4	8.6	0.2	0.1
Other	1.6	0.7	—	—
Total market value of assets	183.9	160.0	3.5	2.8
Present value of liabilities	(202.7)	(178.6)	(3.1)	(2.8)
Net pension liability	$ (18.8)	$ (18.6)	$ 0.4	$ —

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally, investments are valued based on information provided by fund managers to our trustee as reviewed by management and its investment advisers.

Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. If no sale was reported on that date, they are valued at the last reported bid price. Investments in securities not traded on a national securities exchange are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Over-the-counter (OTC) securities and government obligations are valued at the bid price or the average of the bid and asked price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. Depending on the types and contractual terms of OTC derivatives, fair value is measured using a series of techniques, such as Black-Scholes option pricing model, simulation models or a combination of various models.

Alternative investments, including investments in private equities, private bonds, limited partnerships, hedge funds, real assets and natural resources, do not have readily available market values. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material. Private equity, private bonds, limited partnership interests, hedge funds and other investments not having an established market are valued at net asset values as determined by the investment managers, which management has determined approximates fair value. Private equity investments are often valued initially based upon cost; however, valuations are reviewed utilizing available market data to determine if the carrying value of these investments should be adjusted. Such market data primarily includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Investments in real assets funds are stated at the aggregate net asset value of the units of these funds, which management has determined approximates fair value. Real assets and natural resource investments are valued either at amounts based upon appraisal reports prepared by appraisers or at amounts as determined by an internal appraisal performed by the investment manager, which management has determined approximates fair value.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

The following table sets forth by level, within the fair value hierarchy, the pension assets and liabilities at fair value for the Global Marine Systems Pension Plan (in millions):

As of December 31, 2019	Fair Value Measurement Using:		
	Level 1	Level 2	Total
Equities	$ —	$ 23.9	$ 23.9
Liability Hedging Assets	—	53.6	53.6
Hedge Funds	—	54.8	54.8
Corporate Bonds	—	38.6	38.6
Property	—	11.4	11.4
Other	0.9	0.7	1.6
Total Plan Net Assets	$ 0.9	$ 183.0	$ 183.9

As of December 31, 2018	Fair Value Measurement Using:		
	Level 1	Level 2	Total
Equities	$ —	$ 29.6	$ 29.6
Liability Hedging Assets	—	52.5	52.5
Hedge Funds	—	42.8	42.8
Corporate Bonds	—	25.8	25.8
Property	—	8.6	8.6
Other	0.4	0.3	0.7
Total Plan Net Assets	$ 0.4	$ 159.6	$ 160.0

The following table sets forth by level, within the fair value hierarchy, the pension assets and liabilities at fair value for the MNOPF (in millions):

	Fair Value Measurement Using Level 3	
	December 31, 2019	December 31, 2018
Equities	$ 0.3	$ 0.3
Liability Hedging Assets	2.0	1.6
Hedge Funds	0.5	0.4
Corporate Bonds	0.5	0.4
Property	0.2	0.1
Other	—	—
Total Plan Net Assets	$ 3.5	$ 2.8

The table below set forth a summary of changes in the fair value of the Level 3 pension assets for the period from December 31, 2017 through December 31, 2019 for the MNOPF (in millions):

Balance at December 31, 2017	$ 3.2
Actual return on plan assets	(0.1)
Contributions	—
Benefits paid	(0.1)
Foreign currency gain (loss)	(0.2)
Balance at December 31, 2018	2.8
Actual return on plan assets	0.8
Contributions	—
Benefits paid	(0.3)
Foreign currency gain (loss)	0.2
Balance at December 31, 2019	$ 3.5

19. Share-based Compensation

On April 11, 2014, HC2's Board of Directors adopted the HC2 Holdings, Inc. Omnibus Equity Award Plan (the "2014 Plan"), which was originally approved at the annual meeting of stockholders held on June 12, 2014. On April 21, 2017, the Board of Directors, subject to stockholder approval, adopted the Amended and Restated 2014 Omnibus Equity Award Plan (the "Restated 2014 Plan"). The Restated 2014 Plan was approved by HC2's stockholders at the annual meeting of stockholders held on June 14, 2017. Subject to adjustment as provided in the Restated 2014 Plan, the Restated 2014 Plan authorizes the issuance of 3,500,000 shares of common stock of HC2, plus any shares that again become available for awards under the 2014 Plan, plus any shares that again become available for awards under the Restated 2014 Plan.

On April 20, 2018, the Board of Directors, subject to stockholder approval, adopted the Second Amended and Restated 2014 Omnibus Equity Award Plan (the "Second A&R 2014 Plan"). The Second A&R 2014 Plan was approved by HC2's stockholders at the annual meeting of stockholders held on June 13, 2018. Subject to adjustment as provided in the Second A&R 2014 Plan, the Second A&R 2014 Plan authorizes the issuance of up to 3,500,000 shares of common stock of HC2 plus any shares that again become available for awards under the 2014 Plan or the Amended 2014 Plan.

The Second A&R 2014 Plan provides that no further awards will be granted pursuant to the Amended 2014 Plan. However, awards previously granted under either the 2014 Plan or the Amended 2014 Plan will continue to be subject to and governed by the terms of the 2014 Plan and Amended 2014 Plan, respectively. The Compensation Committee of HC2's Board of Directors administers the 2014 Plan, the Amended 2014 Plan and the Second A&R 2014 Plan and has broad authority to administer, construe and interpret the plans.

The Second A&R 2014 Plan provides for the grant of awards of non-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock based awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. The Company typically issues new shares of common stock upon the exercise of stock options, as opposed to using treasury shares.

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

The Company granted zero and 662,769 options during the year ended December 31, 2019 and 2018, respectively. For the year ended December 31, 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:

	Years Ended December 31,	
	2019	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 $7.9 million and $9.0 million for the years ended December 31, 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, 2017	1,588,406	$ 5.36
Granted	2,073,612	$ 6.21
Vested	(467,889)	$ 5.33
Forfeited	(162,660)	$ 5.70
Unvested - December 31, 2018	3,031,469	$ 5.93
Granted	542,450	$ 2.57
Vested	(1,349,531)	$ 5.92
Forfeited	(10,613)	$ 2.91
Unvested - December 31, 2019	2,213,775	$ 5.12

At December 31, 2019, the total unrecognized stock-based compensation expense related to unvested restricted stock was $5.4 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 1.3 years.

Stock Options

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

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2017	6,989,856	$ 6.57
Granted	662,769	$ 5.45
Exercised	(274,037)	$ 4.37
Forfeited	(60,293)	$ 5.50
Expired	(157,434)	$ 9.00
Outstanding - December 31, 2018	7,160,861	$ 6.51
Granted	—	$ —
Exercised	—	$ —
Forfeited	—	$ —
Expired	(93,269)	$ 5.47
Outstanding - December 31, 2019	7,067,592	6.52
Eligible for exercise	6,613,099	$ 6.59

At December 31, 2019, the intrinsic value and average remaining life of the Company's outstanding options were zero and approximately 5.25 years, and intrinsic value and average remaining life of the Company's exercisable options were zero and approximately 5.1 years.

At December 31, 2019, total unrecognized stock-based compensation expense related to unvested stock options was $0.7 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 1.16 years. There are 454,493 unvested stock options expected to vest, with a weighted average remaining life of 7.05 years, a weighted average exercise price of $5.46, and an intrinsic value of zero.

20. Equity

Series A Preferred Stock and Series A-2 Preferred Stock

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

	December 31,	
	2019	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

In connection with the issuance of the Series A Convertible Preferred Stock, the Company adopted a Certificate of Designation of Series A Convertible Participating Preferred Stock on May 29, 2014 (the "Series A Certificate"). In connection with the issuance of the Series A-1 Preferred Stock on September 22, 2014, the Company adopted the Certificate of Designation of Series A-1 Convertible Participating Preferred Stock (the "Series A-1 Certificate") and also amended and restated the Series A Certificate. In connection with the issuance of the Series A-2 Preferred Stock on January 5, 2015, the Company adopted the Certificate of Designation of Series A-2 Convertible Participating Preferred Stock (the "Series A-2 Certificate") and also amended and restated the Series A Certificate and the Series A-1 Certificate. On August 10, 2015, the Company adopted certain Certificates of Correction of the Certificates of Amendment to the Certificates of Designation of the Series A Certificate, the Series A-1 Certificate and the Series A-2 Certificate, and on June 24, 2016 the Company adopted certain amendments to the Series A-1 Certificate of Designation. The Series A Certificate, the Series A-1 Certificate and the Series A-2 Certificate together, as amended, are referred to as the "Certificates of Designation."

The following summary of the terms of the Preferred Stock and the Certificates of Designation is qualified in its entirety by the complete terms of the Certificates of Designation.

Dividends. The Preferred Stock accrues a cumulative quarterly cash dividend at an annualized rate of 7.50%. The accrued value of the Preferred Stock will accrete quarterly at an annualized rate of 4.00% that is reduced to 2.00% or 0.00% if the Company achieves specified rates of growth measured by increases in its net asset value; provided, that the accreting dividend rate will be 7.25% in the event that (i) the daily volume weighted average price ("VWAP") of the common stock is less than a certain threshold amount, (ii) the common stock is not registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, (iii) following May 29, 2015, the common stock is not listed on certain national securities exchanges or (iv) the Company is delinquent in the payment of any cash dividends. The Preferred Stock is also entitled to participate in cash and in-kind distributions to holders of shares of common stock on an as-converted basis.

Optional Conversion. Each share of Preferred Stock may be converted by the holder into common stock at any time based on the then applicable conversion price. Pursuant to the Series A Certificate, each share of Series A Preferred Stock is currently convertible at a conversion price of $4.24. Pursuant to the Series A-2 Certificate, each share of Series A-2 Preferred Stock is currently convertible at a conversion price of $7.01. Such conversion prices are subject to adjustment for dividends, certain distributions, stock splits, combinations, reclassifications, reorganizations, mergers, recapitalizations and similar events, as well as in connection with issuances of equity or equity-linked or other comparable securities by the Company at a price per share (or with a conversion or exercise price or effective issue price) that is below the applicable conversion price (which adjustment shall be made on a weighted average basis).

Redemption by the Holders / Automatic Conversion. On May 29, 2021, holders of the Preferred Stock are entitled to cause the Company to redeem the Preferred Stock at the accrued value per share plus accrued but unpaid dividends (to the extent not included in the accrued value of Preferred Stock). Each share of Preferred Stock that is not so redeemed will be automatically converted into shares of common stock at the conversion price then in effect. Upon a change of control (as defined in the Certificates of Designation) holders of the Preferred Stock are entitled to cause the Company to redeem their Preferred Stock at a price per share of Preferred Stock equal to the greater of (i) the accrued value of the Preferred Stock, which amount would be multiplied by 150% in the event of a change of control occurring on or prior to May 29, 2017, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into common stock immediately prior to the change of control.

Redemption by the Company. At any time after May 29, 2017, the Company may redeem the Preferred Stock, in whole but not in part, at a price per share generally equal to 150% of the original accrued value or on that date, plus accrued but unpaid dividends (to the extent not included in the accrued value of Preferred Stock), subject to the holder’s right to convert prior to such redemption.

Forced Conversion. After May 29, 2017, the Company may force conversion of the Preferred Stock into common stock if the common stock's thirty-day VWAP exceeds 150% of the then-applicable Conversion Price and the common stock's daily VWAP exceeds 150% of the then applicable Conversion Price for at least twenty trading days out of the thirty trading day period used to calculate the thirty-day VWAP. In the event of a forced conversion, the holders of Preferred Stock will have the ability to elect cash settlement in lieu of conversion if certain market liquidity thresholds for the common stock are not achieved.

Liquidation Preference. The Series A Preferred Stock ranks at parity with the Series A-2 Preferred Stock. In the event of any liquidation, dissolution or winding up of the Company (any such event, a "Liquidation Event"), the holders of Preferred Stock are entitled to receive per share the greater of (i) the accrued value of the Preferred Stock, which amount would be multiplied by 150% in the event of a Liquidation Event occurring on or prior to May 29, 2017, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into common stock immediately prior to such occurrence. The Preferred Stock will rank junior to any existing or future indebtedness but senior to the common stock and any future equity securities other than any future senior or pari-passu preferred stock issued in compliance with the Certificates of Designation.

Voting Rights. Except as required by applicable law, the holders of the shares of each series of Preferred Stock are entitled to vote on an as-converted basis with the holders of the other series of Preferred Stock (on an as-converted basis) and holders of the Company's common stock on all matters submitted to a vote of the holders of common stock. Certain series of Preferred Stock are entitled to vote with the holders of certain other series of Preferred Stock on certain matters, and separately as a class on certain limited matters. Subject to maintenance of certain ownership thresholds by the initial purchasers of the Series A Preferred Stock also have the right to vote shares of Preferred Stock as a separate class for at least one director, as discussed below under "Board Rights."

Consent Rights. For so long as any of the Preferred Stock is outstanding, consent of the holders of shares representing at least 75% of certain of the Preferred Stock then outstanding is required for certain material actions.

Participation Rights. Pursuant to the securities purchase agreements entered into with the initial purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock, subject to meeting certain ownership thresholds, certain purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock are entitled to participate, on a pro-rata basis in accordance with their ownership percentage, determined on an as-converted basis, in issuances of equity and equity linked securities by the Company. In addition, subject to meeting certain ownership thresholds, certain initial purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock will be entitled to participate in issuances of preferred securities and in debt transactions of the Company.

As of December 31, 2019 Preferred A shares and Preferred A-2 shares were convertible into 1,523,972 and 570,613 shares, respectively of HC2 common stock, excluding CGI shares eliminated in consolidation, as discussed below.

Preferred Share Activity

CGI Purchase

On December 18, 2018 and December 20, 2018, CGI, a wholly owned subsidiary of the Company closed on the purchase of 6,125 shares of Series A Preferred Stock, convertible into a total of 1,464,209 shares of the Company's common stock. The shares and dividends accrued related to the Series A Preferred shares owned by CGI are eliminated in consolidation.

On January 11, 2019, CGI purchased 10,000 shares of Series A-2 Preferred Stock, which are convertible into a total of 1,426,534 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 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 year ended December 31, 2019, 269,284 and 30,297 shares of the Company's common stock have been issued to Luxor and Corrib, respectively, in conjunction with the Conversion agreement. For the year ended December 31, 2018, 117,734 and 13,245 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 for the year ended December 31, 2019 and 2018 was valued by the Company at $0.8 million each 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 years ended December 31, 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	December 31, 2019
Holders of Record Date	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Payment Date	April 15, 2019	July 15, 2019	October 15, 2019	January 15, 2020
Total Dividend	$ 0.2	$ 0.2	$ 0.2	$ 0.2

2018

Declaration Date	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Holders of Record Date	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Payment Date	April 16, 2018	July 17, 2018	October 15, 2018	January 15, 2019
Total Dividend	$ 0.5	$ 0.5	$ 0.5	$ 0.4

Warrants

In Connection with the acquisition of CGI and UTA in 2015, the Company issued five year warrants to purchase 2,000,000 shares of the Company's common stock at an exercise price of $7.08 per share, subject to customary adjustments for stock splits or similar transactions, exercisable on or after February 3, 2016. As of December 31, 2019, the holder can purchase 2,168,454 shares of the Company's common stock at an exercise price of $6.53. The warrants expire on December 24, 2020.

21. Related Parties

HC2

In January 2015, the Company entered into an arm's length services agreement (the "Services Agreement") with Harbinger Capital Partners ("HCP"), a related party of the Company. The Services Agreement includes the provision of services such as providing office space, certain administrative salaries and benefits, and other overhead, 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 costs allocated between the Company and HCP are based on actual use. Office space is an allocation of actual costs based on square footage and directly used by HC2 employees. Time of administrative personnel is allocated by time spent on each entity and other shared overhead is based on actual shared overhead and is allocated based on amounts used for each vendor.

Management of shared overhead and certain administrative personnel were transferred to HC2 at the beginning of 2019. Both of these services are charged back to HCP on the same basis described above.

The Company recognized expenses of $2.7 million and $3.8 million, and income of $0.3 million and zero under the Services Agreement for each of the years ended December 31, 2019 and 2018 respectively. The following table breaks out the components of the Services Agreement net expenses, by Segment for the years ended December 31, 2019 and 2018:

	Years Ended December 31,					
	2019			2018		
	Corporate	Other [1]	Total	Corporate	Other [1]	Total
Allocated to HC2 by HCP						
Office space	$ 1.8	$ 0.8	$ 2.6	$ 2.0	$ 1.2	$ 3.2
Administrative salaries and benefits	0.1	0.0	0.1	0.4	0.1	0.5
Other shared overhead	—	—	—	0.1	0.0	0.1
Total Expenses	1.9	0.8	2.7	2.5	1.3	3.8
Charged back to HCP by HC2						
Administrative salaries and benefits	0.2	0.0	0.2	—	—	—
Other shared overhead	0.1	0.0	0.1	—	—	—
Total Income	0.3	0.0	0.3	—	—	—
Net related party activity	$ 1.6	$ 0.8	$ 2.4	$ 2.5	$ 1.3	$ 3.8

[1] Other in the above table represent certain entities within our Broadcasting, Life Sciences and Insurance segments.

In June 2018, the Company funded $0.8 million to HCP for a refundable 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 the years ended December 31, 2019 and 2018, GMSL recognized $11.3 million and $9.3 million respectively, of expenses for transactions with Fugro.

For the year ended December 31, 2019 GMSL recognized $0.8 million of revenues.

The parent company of GMSL, GMH, incurred management fees of $0.6 million for each of the years ended December 31, 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):

	Years Ended December 31,	
	2019	2018
Net revenue	$ 6.4	$ 21.8
Operating expenses	$ 1.0	$ 4.8
Interest expense	$ 1.0	$ 1.3

	December 31,	
	2019	2018
Accounts receivable	$ 1.2	$ 5.0
Long-term obligations	$ 22.5	$ 28.5
Accounts payable	$ 0.1	$ 2.2
Dividends	$ 4.5	$ 25.8

Life Sciences

In 2017, R2 secured convertible drawdown promissory notes of $1.5 million to a related party, Blossom Innovations, LLC. As of June 2019, R2 converted its secured convertible note with Blossom Innovation, LLC into shares of R2 preferred equity.

In 2018, R2 made a milestone payment to Blossom Innovations, LLC and MGH for $0.5 million.

Pansend has an investment in Triple Ring Technologies, Inc. ("Triple Ring"). Various subsidiaries of HC2 utilize the services of Triple Ring, incurring $1.9 million and $0.1 million in services for the year ended December 31, 2019 and 2018, respectively.

22. 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 is 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:

		Years Ended December 31,	
	Segment	2019	2018
Customer A	Telecommunications	10.3%	11.0%

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

	Years Ended December 31,	
	2019	2018
Net Revenue by Geographic Region		
United States	$ 1,777.7	$ 1,757.7
United Kingdom	169.2	192.2
Other	37.2	26.8
Total	$ 1,984.1	$ 1,976.7

	Years Ended December 31,	
	2019	2018
Net revenue		
Construction	$ 713.3	$ 716.4
Marine Services	172.5	194.3
Energy	39.0	20.7
Telecommunications	696.1	793.6
Insurance	331.6	217.1
Broadcasting	41.8	45.4
Other	—	3.7
Eliminations (*)	(10.2)	(14.5)
Total net revenue	$ 1,984.1	$ 1,976.7

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2019 and 2018 which are related to entities under common control which are eliminated or are reclassified in consolidation.

	Years Ended December 31,	
	2019	2018
Income (loss) from operations		
Construction	$ 45.1	$ 41.9
Marine Services	(6.1)	(15.4)
Energy	10.1	(0.5)
Telecommunications	(1.8)	4.8
Insurance	37.3	1.8
Life Sciences	(8.9)	(13.8)
Broadcasting	(11.4)	(24.0)
Other	—	(2.5)
Non-operating Corporate	(25.0)	(33.6)
Eliminations (*)	(10.2)	(14.5)
Total income (loss) from operations	$ 29.1	$ (55.8)

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2019 and 2018 which are related to transactions between entities under common control which are eliminated or are reclassified in consolidation.

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

	Years Ended December 31,	
	2019	2018
Income (loss) from operations	$ 29.1	$ (55.8)
Interest expense	(95.1)	(75.7)
Gain on sale and deconsolidation of subsidiary	—	105.1
Income from equity investees	2.2	15.4
Gain on bargain purchase	1.1	115.4
Other income	6.0	77.9
(Loss) income from continuing operations	(56.7)	182.3
Income tax benefit (expense)	20.6	(2.4)
Net (loss) income	(36.1)	179.9
Net loss (income) attributable to noncontrolling interest and redeemable noncontrolling interest	4.6	(17.9)
Net (loss) income attributable to HC2 Holdings, Inc.	(31.5)	162.0
Less: Preferred dividends, deemed dividends, and repurchase gains	—	6.4
Net (loss) income attributable to common stock and participating preferred stockholders	$ (31.5)	$ 155.6

	Years Ended December 31,	
	2019	2018
Depreciation and Amortization		
Construction	$ 15.5	7.4
Marine Services	25.7	27.2
Energy	6.9	5.5
Telecommunications	0.3	0.3
Insurance (*)	(23.1)	(12.4)
Life Sciences	0.3	0.2
Broadcasting	6.3	3.3
Other	—	0.1
Non-operating Corporate	0.1	0.1
Total	$ 32.0	$ 31.7

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

	Years Ended December 31,	
	2019	2018
Capital Expenditures (*)		
Construction	$ 9.8	$ 14.9
Marine Services	15.6	21.7
Energy	1.1	1.5
Telecommunications	—	0.1
Insurance	0.6	0.3
Life Sciences	0.1	—
Broadcasting	14.2	1.1
Non-operating Corporate	—	0.1
Total	$ 41.4	$ 39.7

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

	December 31,	
	2019	2018
Investments		
Construction	$ 0.9	$ 0.9
Marine Services	64.4	58.3
Insurance	4,423.0	3,821.4
Life Sciences	22.0	16.3
Other	1.6	5.6
Eliminations	(102.9)	(80.5)
Total	$ 4,409.0	$ 3,822.0

	December 31,	
	2019	2018
Property, plant and equipment, net		
United States	$ 215.7	$ 178.2
United Kingdom	182.1	192.7
Other	8.0	5.4
Total	$ 405.8	$ 376.3

	December 31,	
	2019	2018
Total Assets		
Construction	$ 530.4	$ 537.9
Marine Services	370.7	368.6
Energy	142.8	77.6
Telecommunications	89.3	139.9
Insurance	5,611.9	5,213.1
Life Sciences	28.4	35.6
Broadcasting	257.9	202.8
Other	1.6	5.6
Non-operating Corporate	27.2	9.2
Eliminations	(101.9)	(86.5)
Total	$ 6,958.3	$ 6,503.8

23. 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 year ended December 31, 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 year ended December 31, 2018 as the shares were antidilutive: 2,168,454 for outstanding warrants to purchase the Company's stock, 353,960 for unvested restricted stock awards, and 4,919,760 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):

	Years Ended December 31,	
	2019	2018
Net (loss) income attributable to common stock and participating preferred stockholders	$ (31.5)	$ 155.6
Earnings allocable to common shares:		
Numerator for basic and diluted earnings per share		
Participating shares at end of period:		
Weighted-average common stock outstanding	44.8	44.3
Unvested restricted stock	0.6	0.4
Preferred stock (as-converted basis)	2.1	4.9
Total	47.5	49.6
Percentage of loss allocated to:		
Common stock	94.3 %	89.3 %
Unvested restricted stock	1.3 %	0.8 %
Preferred stock	4.4 %	9.9 %
Net (loss) income attributable to common stock, basic	$ (29.7)	$ 139.0
Distributed and Undistributed earnings to Common Shareholders:		
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	—	(3.3)
Income from the dilutive impact of subsidiary securities	—	—
Net (loss) income attributable to common stock, diluted	$ (29.7)	$ 135.7
Denominator for basic and dilutive earnings per share		
Weighted average common shares outstanding - basic	44.8	44.3
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	—	2.5
Weighted average common shares outstanding - diluted	44.8	46.8
Net (loss) income attributable to participating security holders - Basic	$ (0.66)	$ 3.14
Net (loss) income attributable to participating security holders - Diluted	$ (0.66)	$ 2.90

24. Subsequent Events

Sale of GMSL

On January 30, 2020, the Company announced that, through its indirect subsidiary New Saxon 2019 Limited in which the Company indirectly holds an approximately 73% controlling interest, the Company has entered into a definitive agreement to sell 100% of the shares of GMSL to Trafalgar AcquisitionCo, Ltd. and an affiliate of J.F. Lehman & Company, LLC. The total base consideration will be $250 million, subject to customary purchase price adjustments, plus a potential earn-out of up to $12.5 million at such time, if any, as J.F. Lehman & Company, LLC and its investment affiliates achieve a specified multiple of their invested capital. The purchase price is subject to customary potential downward or upward post-closing adjustments based on net working capital, cash, unpaid transaction expenses, indebtedness and certain of the Company's pre-closing paid capital expenditures. The SPA contains customary representations, warranties and covenants for a transaction of this nature. In connection with the closing of the transaction, purchaser will deposit (i) $1.25 million of the base price into an escrow fund for the purpose of securing certain indemnification obligations for losses payable in the first twelve months after closing and (ii) $1.91 million of the base price into an escrow fund for the purpose of securing a purchase price adjustment, if any, in favor of purchaser. Following the closing, purchaser shall pay to the Company an amount equal to $2.4 million on the earlier of December 31, 2020 and the date on which a cash collateralized bond in connection with the Company's bonding facility is released.

The transaction closed on February 28, 2020. At the closing of the transaction, the purchaser directed £24.4 million of the base price to be paid to the trustee under the Global Marine Systems Pension Plan. HC2 received net proceeds of approximately $98.6 million from the sale. The net proceeds were used to repay HC2's $15.0 million secured revolving line of credit. Further, on March 2, 2020, HC2 provided notice (the "Asset Sale Redemption Notice") to U.S. Bank National Association, as trustee (the "Trustee"), of its intent to use the net cash proceeds of the Sale to redeem $76.9 million aggregate principal amount of HC2's Senior Secured Notes, at a redemption price equal to 104.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest since December 1, 2019 (the last regularly scheduled interest payment date) to the redemption date of April 2, 2020. The redemption of the Notes will be made in accordance with the terms of the Indenture. The Asset Sale Redemption Notice was sent by the Trustee to the registered holders of the Notes in accordance with the requirements of the Indenture.

Line of Credit

On March 13, 2020, HC2 entered into a $15.0 million secured revolving credit agreement (the "2020 Revolving Credit Agreement") with MSD PCOF Partners IX, LLC. The 2020 Revolving Credit Agreement matures in June 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%. As of the date of this filing HC2 has not drawn on the 2020 Revolving Credit Agreement.

THIS SECURED NOTE IS SUBJECT TO THE PROVISIONS OF THE INTERCREDITOR AGREEMENT, DATED AS OF OCTOBER 24, 2019 (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME), AMONG HC2 BROADCASTING HOLDINGS INC., HC2 STATION GROUP, INC., HC2 LPTV HOLDINGS, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., THE OTHER GRANTORS PARTY THERETO, MSD PCOF PARTNERS XVIII, LLC, GREAT AMERICAN LIFE INSURANCE COMPANY AND GREAT AMERICAN INSURANCE COMPANY.

SECURED NOTE

US $36,225,000 October 24, 2019

FOR VALUE RECEIVED, **HC2 Station Group, Inc.**, a Delaware corporation, **HC2 LPTV Holdings, Inc.**, a Delaware corporation, **HC2 Broadcasting Inc.**, a Delaware corporation, **HC2 Network Inc.**, a Delaware corporation (collectively, the "**Subsidiary Borrowers**"), **HC2 Broadcasting Intermediate Holdings Inc.**, a Delaware corporation (the "**Intermediate Parent**"), **HC2 Broadcasting Holdings Inc.**, a Delaware corporation (the "**Parent Borrower**" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "**Borrowers**" and each, a "**Borrower**") hereby unconditionally promise, severally and jointly, to pay to the entity listed on Annex I hereto (the "**Lender**"), or its successors and assigns, Thirty Six Million Two Hundred and Twenty Five Thousand Dollars ($36,225,000), 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. <u>Definitions</u>. Capitalized terms used herein shall have the meanings set forth in this <u>Section 1</u>.

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, goods, payment intangibles, software, commercial tort claims set forth on <u>Schedule 1.1(a)</u> hereto, instruments, inventory, investment property, letter of credit rights, letters of credit, money, securities accounts and any supporting obligations related to any of the foregoing (each as defined in the Uniform Commercial Code as in effect from time to time in the State of New York ("**UCC**"));

(c) all books and records pertaining to the property described in this Section 1.1;

(d) all Intellectual Property pertaining to the property described in this Section 1.1; 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.

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 Ninth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of the date hereof, among the Borrowers, the Lender and the other 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 "**Amended and Restated Great American Secured Note**" means the US $42,500,000 amended and restated secured note, dated as of the date hereof, among the Borrowers and the Initial Lenders, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms of the Intercreditor Agreement.

1.5 "**Arena Notes**" means the each of the following secured notes owing by Parent Borrower, HC2 Station Group, Inc., and HC2 LPTV Holdings, Inc., to Arena Limited SPV, LLC: (i) secured note dated as of May 31, 2019 in the original principal amount of $10,750,000, (ii) secured note dated as of August 2, 2019 in the original principal amount of $5,375,000, and (iii) secured note dated as of September 10, 2019 in the original principal amount of $5,375,000.

1.6 "**Borrower**" and "**Borrowers**" have the meaning set forth in the introductory paragraph.

1.7 “**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.

1.8 “**California Channel Sharing Agreement**” means that certain Second Amended and Restated Channel Sharing and Facilities Agreement, dated as of November 21, 2018, among, *inter alios*, NRJ TV SAN FRAN OPCO, LLC, NRJ TV SAN FRAN LICENSE CO, LLC, and HC2 Station Group, Inc.

1.9 “**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.

1.10 “**Capital Lease Obligations**” means the obligations of lessee relating to a Capital Lease determined in accordance with GAAP.

1.11 “**Change in Control**” means (i) HC2 Holdings 2, Inc., shall cease to directly own and control at least 50.1% of the outstanding Voting Stock and economic interests of Parent Borrower, (ii) the Parent Borrower shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of Intermediate Parent, (iii) the Intermediate Parent shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of each Subsidiary Borrower, (iv) HC2 Broadcasting Inc., shall cease to directly own and control (a) 100% of the outstanding Voting Stock and economic interests of HC2 Broadcasting License, and (b) at least 43.0% of the outstanding Voting Stock and economic interests in DTV America Corporation, or (v) HC2 Broadcasting Inc. shall cease to control at least 50.1% of the outstanding Voting Stock of DTV America Corporation as contemplated by the Investor Rights Agreement, the Proxies, the Voting Agreement or otherwise.

1.12 “**Channel Sharing Agreements**” means, collectively, the New York Channel Sharing Agreement and the California Channel Sharing Agreement.

1.13 “**Closing Date**” means the date upon which the conditions set forth in Section 2.2 are satisfied.

1.14 “**Code**” means the Internal Revenue Code of 1986, as amended.

1.15 “**Collateral**” means, collectively, the Pledged Stock and the Additional Collateral (but in any case shall not include the Excluded Collateral).

1.16 “**Collateral Agent**” has the meaning set forth in the Intercreditor Agreement.

1.17 "**Common Stock Equivalents**" means any securities of any 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.

1.18 "**Continental Secured Note**" means the US $2,000,000 Amended and Restated Secured Note, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company, as amended and supplemented by that certain letter agreement, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company (formerly known as United Teacher Associates Insurance Company) (the "**Continental Letter Agreement**"), in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.19 "**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

1.20 "**Controlled Shared Collateral**" has the meaning set forth in the Intercreditor Agreement.

1.21 "**Copyright**" means all domestic and foreign copyrights, whether registered or not or the subject of a pending application, all applications, registrations and recordings thereof, and all extensions or renewals thereof.

1.22 "**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.

1.23 "**Default Rate**" means, at any time, a rate per annum equal to the Interest Rate plus 4.00 % per annum.

1.24 "**Designated Jurisdiction**" means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

1.25 "**Disbursement**" has the meaning set forth in Section 2.2.

1.26 "**DTV Notes**" means, that certain, (i) Convertible Promissory Note, dated as of March 25, 2014, between DTV America Corporation and Bruce A. Leshinski, in the original principal amount of US $100,000, (ii) Convertible Promissory Note, dated as of May 1, 2014, between DTV America Corporation and Joseph G. Carpino, in the original principal amount of US $300,000, (iii) Convertible Promissory Note, dated as of March 28, 2014, between DTV America Corporation and Wayne H. Wellman, in the original principal amount of US

$300,000, (iv) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Life Insurance Company, in the original principal amount of US $900,000, and (v) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Insurance Company, in the original principal amount of US $600,000, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.27 "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

1.28 "**ERISA Affiliate**" means any trade or business (whether or not incorporated) under common control with any Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

1.29 "**Event of Default**" has the meaning set forth in Section 8.

1.30 "**Excluded Account**" means, (x) a deposit account held by any Borrower (i) consisting solely of withheld income taxes and federal, state or local employment taxes in such amounts as are required in the reasonable judgment of such Borrower in the ordinary course of business to be paid to the relevant Governmental Authority, (ii) which is used for the sole purpose of making payroll for the then-current payroll period and withholding tax payments related thereto and other employee wage and benefit payments and accrued and unpaid employee compensation (including salaries, wages, benefits and expense reimbursements), (iii) constituting a custodian, trust, fiduciary or other escrow account established for the benefit of third parties in the ordinary course of business in connection with transactions permitted under the Note Documents and (y) any deposit account, securities account or commodities account held by any Borrower in which the average daily balance throughout a month in is less than US $10,000 individually and US $50,000 in the aggregate for all such accounts or such accounts in which the average daily balance throughout a month of the fair market value and/or amount, as the case may be, of the financial assets and/or commodity contracts, as the case may be, held in all such accounts not identified is less than US $10,000 individually or US $50,000 in the aggregate.

1.31 "**Excluded Collateral**" has the meaning set forth in Section 6.1.

1.32 "**Excluded Perfection Assets**" means, (i) any foreign Intellectual Property; (ii) Goods (as defined in the UCC) included in Collateral received by any Person for "sale or return" within the meaning of Section 2-326 of the UCC of the applicable jurisdiction, to the extent of claims of creditors of such Person (only to the extent the filing of a financing statement is not necessary or effective to perfect the security interest therein); (iii) Letter of Credit Rights (as defined in the UCC), except to the extent the filing of a financing statement under the UCC is necessary and sufficient to perfect the security interest therein; (iv) any promissory note in a principal amount not in excess of US $10,000 individually or in the aggregate not in excess of US $50,000, evidencing loans or other monetary obligations owing to any Borrower; and (v) any Collateral for which the perfection of liens thereon requires filings in or other actions under the laws of jurisdictions outside the United States.

1.33 "**Existing Notes**" means, collectively, the DTV Notes, the Intercompany Note, the King Forward Secured Notes, the Continental Secured Note, the Mako Note and the Intercompany Unsecured Bridge Notes.

1.34 "**Fee Letter**" means that certain Fee Letter dated as of the date hereof among the Borrowers and the Lender, as amended, restated, supplemented or otherwise modified from time to time.

1.35 "**FCC Licenses**" means licenses, permits, and other authorizations granted by the Federal Communications Commission.

1.36 "**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.

1.37 "**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.

1.38 "**Great American Agreement Obligations**" has the meaning set forth in the Intercreditor Agreement.

1.39 "**HC2 Broadcasting License**" means HC2 Broadcasting License Inc., a Delaware Corporation.

1.40 "**HMT**" has the meaning set forth in the definition of "Sanctions".

1.41 "**Indemnified Person**" has the meaning set forth in Section 10.1.

1.42 “**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 Amended and Restated Great American Note.

1.43 “**Intellectual Property**” means all intangible assets, intellectual property, Copyrights, Trademarks, and Patents.

1.44 “**Intercompany Note**” means that certain Intercompany Note executed as of April 30, 2019 and effective as of June 30, 2018 between the Parent Borrower and HC2 Holdings 2, Inc., as in effect on the date hereof, and subject to the Intercompany Note Subordination Agreement.

1.45 “**Intercompany Note Allonge**” means that certain allonge that pledges each Intercompany Unsecured Bridge Note to the Lender.

1.46 **“Intercompany Note Subordination Agreement”** means the Subordination Agreement with respect to the Intercompany Note, dated as of the date hereof, by HC2 Holdings 2, Inc., in favor of the Initial Lender and the Lender, as holders of this Note and the Amended and Restated Great American Note, as the case may be, as amended, restated, supplemented or otherwise modified from time to time.

1.47 “**Intercompany Unsecured Bridge Notes**” means each of (i) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender; and (ii) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.48 “**Intercreditor Agreement**” means that certain Intercreditor Agreement, dated as of the date hereof, by and among the Lender, the Initial Lenders, and the Borrowers, as amended, restated, supplemented or otherwise modified from time to time.

1.49 “**Interest Payment Date**” means earlier of (a) the Maturity Date and (b) with respect to any portion of this Note that is prepaid prior to the Maturity Date, the applicable prepayment date.

1.50 “**Interest Rate**” has the meaning set forth in the introductory paragraph.

1.51 “**Intermediate Parent**” has the meaning set forth in the introductory paragraph.

1.52 **“Intermediate Pledged Stock”** means all shares of capital stock issued by the Intermediate Parent, 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.

1.53 "**Investor Rights Agreement**" means that certain Investor Rights Agreement dated as of June 27, 2017 among DTV America Corporation, HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), and the Stockholders (as defined therein) party thereto.

1.54 "**IRS**" means the U.S. Internal Revenue Service.

1.55 "**King Forward Guarantees**" means the Guaranty Agreements listed as items 2, 3, 4 and 5 in Schedule 7.2(i) hereto.

1.56 "**King Forward Lenders**" means each of King Forward Inc., Tiger Eye Licensing, L.L.C., and Tiger Eye Broadcasting Corporation.

1.57 "**King Forward Pledge Agreement**" means that certain Stock Pledge Agreement, dated as of November 9, 2017, between HC2 Broadcasting Inc. and King Forward, Inc.

1.58 "**King Forward Secured Notes**" means (i) the US $1,943,109.90 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License and King Forward Inc.; (ii) the US $142,212.60 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Licensing, L.L.C., (iii) the US $294,728.40 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Broadcasting Corporation, and (iv) the US $25,385.40 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License, Bella Spectra Corporation, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.59 "**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.

1.60 "**Lender**" has the meaning set forth in the introductory paragraph.

1.61 "**Lien**" means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

1.62 "**Loan**" means the principal amount outstanding under this Note together with accrued interest thereon.

1.63 “**Mako Note**” means the amended and restated promissory note, dated as of July 25, 2019, among HC2 LPTV Holdings, Inc., Mako Communications, LLC, Mintz Broadcasting, Nave Broadcasting, LLC, Tuck Properties, Inc., Lawrence Howard Mintz and Sean Mintz, in the original principal amount of US $5,332,849.32, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.64 “**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 legality, binding effect, validity or enforceability against any Borrower of any Note Document; (c) the ability of the Borrowers, taken as a whole, to perform their obligations under any Note Document; (d) any right or remedy of a Lender against any Borrower under any Note Document; or (e) the value of the FCC Licenses, taken as a whole; provided, however, that for purposes of the foregoing clause (e), the value of any sale, transfer, lease, assignment, conveyance, abandonment or other disposition of assets permitted by Section 7.2 shall be excluded for purposes of determining whether a Material Adverse Change has occurred.

1.65 **“Maturity Date”** means the earlier of (a) October 22, 2020 and (b) the date on which all amounts under this Note shall become due and payable.

1.66 “**Material Indebtedness**” has the meaning set forth in Section 8.9.

1.67 **“MBI Secured Note**” means the US $700,000 secured note, dated as of April 1, 2019 among the Subsidiary Borrowers and Minority Brands, Inc., as amended by the letter agreements dated as of July 31, 2019 and August 30, 2019.

1.68 “**Multiemployer Plan**” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

1.69 “**Multiple Employer Plan**” means a Plan which has, or has had at any time during the preceding six years, two or more contributing sponsors (including any Borrower or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

1.70 “**New York Channel Sharing Agreement**” means that certain Channel Sharing and Facilities Agreement dated as of January 11, 2016 among, *inter alios*, Connecticut Public Broadcasting, Inc., HC2 LPTV Holdings, Inc., HC2 Station Group, Inc., and HC2 Holdings, Inc.

1.71 “**Note**” has the meaning set forth in the introductory paragraph.

1.72 “**Note Document**” means this Note, the Intercreditor Agreement, the Intercompany Note Subordination Agreement, the Fee Letter, the Agreement re: Secured Notes, the Intercompany Note Allonge and any other document or instrument executed or delivered in connection with transactions contemplated hereunder.

1.73 “**Obligations**” means all advances to, and debts, liabilities, obligations, covenants and duties of any Borrower arising under any Note Document or otherwise with respect to any Disbursement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower or any Affiliate thereof or any proceeding under any debtor relief law naming such person as the debtor in such proceeding, regardless of whether such interest or fees are allowed or allowable in such proceeding.

1.74 “**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury.

1.75 **“Parent Borrower”** has the meaning set forth in the introductory paragraph.

1.76 “**Parties**” means the Lender and the Borrowers.

1.77 “**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.

1.78 “**Pension Plan**” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by any Borrower or any ERISA Affiliate (or with respect to which any Borrower or any ERISA Affiliate has any liability, whether actual or contingent) and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

1.79 “**Permitted Indebtedness**” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral which are Great American Agreement Obligations (subject to the Intercreditor Agreement) in an aggregate principal amount at any time outstanding of US $42,500,000 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; <u>provided</u> that, in connection with any refinancing or replacement in respect of indebtedness incurred pursuant to the foregoing clause (b), all such refinancings or replacements shall (x) not mature or require that any principal, interest or other amount be paid in cash, in each case prior to the Maturity Date, and (y) be subject to the terms and conditions of the Intercreditor Agreement and any and all fees, expenses, costs and premiums incurred in connection with such refinancing or replacement may not be paid in cash until the Obligations hereunder are paid in full, in cash; (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; (iii) unsecured intercompany indebtedness between or among the Borrowers that is evidenced by a promissory note accompanied by an allonge executed in blank and delivered to the Lender upon the incurrence of such indebtedness; (iv) unsecured intercompany indebtedness of the Parent Borrower pursuant to the Intercompany Note, which shall be subject to the Intercompany Note Subordination Agreement (and any refinancing or replacement indebtedness in respect thereof, provided that such refinancing or replacement indebtedness will be subjected to a subordination agreement substantially consistent with the Intercompany Note Subordination Agreement and otherwise acceptable to the Lender); (v) indebtedness incurred pursuant to the King Forward Secured Notes in an aggregate principal amount not to exceed US $2,405,436, including the King Forward Guarantees issued in connection therewith; (vi) indebtedness incurred pursuant to the Continental Secured Note in an aggregate principal amount not to exceed US $2,695,660; (vii) unsecured intercompany indebtedness of DTV America Corporation in an aggregate principal amount not to exceed US $2,500,000 and incurred pursuant to the Intercompany Unsecured Bridge Notes, which shall be subject to the Intercompany Note Allonge; (viii) indebtedness incurred pursuant to the Mako Note in an aggregate principal amount not to exceed US $3,582,849; and (ix) indebtedness incurred pursuant to the DTV Notes in an aggregate principal amount not to exceed US $2,652,023.56.

1.80 "**Person**" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

1.81 "**Permitted Liens**" means (i) Liens securing indebtedness incurred pursuant to clauses (i), (v) or (vi) 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) licenses or sublicenses of (or other grants of rights to use) Intellectual Property in the ordinary course of business and consistent with past practice which do not secure any Indebtedness for borrowed money or between or among Borrowers; (iv) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable; (v) 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); (vi) 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; (vii) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment; (viii) Liens on the common stock of HC2 Broadcasting License pledged by HC2 Broadcasting Inc. in favor of the King Forward Lenders; (ix) Liens securing indebtedness incurred pursuant to the secured notes referenced in clauses (iv) and (v) of the definition of "DTV Notes"; and (x) Liens granted in favor of the Collateral Agent pursuant to the Intercreditor Agreement.

1.82 "**Plan**" means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate, or any such Plan to which any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees, in each case, for which any Borrower or any Subsidiary of any Borrower could have liability.

1.83 **"Pledged Stock"** means, collectively, the Intermediate Pledged Stock and the Subsidiary Pledged Stock.

1.84 "**Preferred Equity Agreement**" means the Series A Securities Purchase Agreement, dated as of December 3, 2018, by and among Continental General Insurance Company and Parent Borrower, together with the Amended and Restated Certificate of Designation of Series A Fixed Rate Preferred Stock of HC2 Broadcasting Holdings Inc., dated as of the date hereof, in each case, as in effect on the date hereof.

1.85 "**Proxies**" means each Irrevocable Proxy and Power of Attorney executed by any Stockholder pursuant to the Investor Rights Agreement.

1.86 "**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.

1.87 "**Revolving Credit Agreement**" means the Credit Agreement dated as of April 3, 2019, by and among HC2 Holdings, Inc., as the borrower, each of the guarantors party thereto and MSD PCOF Partners IX, LLC (together with any of its successors and assigns) as the lender, as amended, restated, supplemented or otherwise modified from time to time.

1.88 "**Sanction(s)**" means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury ("**HMT**") or other relevant sanctions authority.

1.89 "**Security Documents**" means this Note, any mortgages, deeds of trust, deeds to secure debt, security agreements, security trust agreements, pledge agreements, joinders, agency agreements, control agreements, intellectual property security agreements and other instruments and documents pursuant to which a lien or security interest in any asset of any Borrower is granted or Additional Collateral is pledged, assigned or granted to the Lender, in each case, to secure the Obligations hereunder, as each may be amended, restated, supplemented or otherwise modified from time to time.

1.90 "**Solvent**" means, with respect to any Person on any date of determination, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (v) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

1.91 "**Stockholder**" has the meaning set forth in the Investor Rights Agreement.

1.92 **"Subsidiary"** means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned or controlled, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such Person and/or one or more Subsidiaries of such Person. Notwithstanding the foregoing, DTV America Corporation, a Delaware corporation, shall be deemed to be a Subsidiary of HC2 Broadcasting Inc. for all purposes hereunder.

Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of any Borrower.

1.93 **“Subsidiary Borrowers”** has the meaning set forth in the introductory paragraph.

1.94 **“Subsidiary Pledged Stock”** means all shares of capital stock issued by the each of the Subsidiary Borrowers and all shares of capital stock issued by DTV America Corporation and held by any of the Borrowers, 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.

1.95 “**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.

1.96 “**Voting Agreement**” means that certain Voting Agreement dated as of June 27, 2017, among HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), Great American Life Insurance Company, and Great American Insurance Company.

1.97 “**Voting Stock**” means, with respect to any Person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

2. Disbursement Mechanics; Conditions to Disbursement.

2.1 Disbursement. The entire principal amount of this Note will be disbursed on the Closing Date to be used in accordance with Section 7.1(l). The Borrowers shall not have the right to redraw any amount prepaid or repaid hereunder.

2.2 Conditions to Disbursement. The Lender’s obligation to make the disbursement of the principal sums set forth on Annex I hereto on the Closing Date (the “**Disbursement**”) is subject to the condition precedent that the conditions set forth below and 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 by the Borrowers;

(b) each other document designated as a “Closing Item” on the closing agenda attached as Exhibit A hereto;

(c) the representations and warranties of the Borrowers contained in Section 7.3 herein, or which are contained in any Note Document furnished at any time under or in connection herewith, shall be true and correct in all respects on and as of the date of the Disbursement;

(d) all reasonable and documented fees (i) of counsel to the Lender in connection with the Note Documents and (ii) under the Fee Letter shall be paid; and

(e) no Default shall exist, or would result from the Disbursement or from the application of the proceeds thereof.

3. Interest.

3.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of this Note shall bear interest at the Interest Rate from the date hereof until the Obligations are paid in full, in cash, 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, in cash.

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 daily from and after the Closing Date, and shall not accrue on the day on which the Obligations are paid in full, in cash.

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 this Note in whole or in part at a prepayment price equal to 100% of the principal amount of this Note, plus accrued and unpaid interest on the principal amount of this Note being prepaid to, but not including, the date of prepayment.

(c) The Borrowers may on any one or more occasions voluntarily prepay any Existing Note only if the Borrowers first offer in writing to the Lender to prepay this Note and the Lender (i) rejects in writing such prepayment in whole or in part, in which case, any rejected amount may be applied to the Existing Note or (ii) accepts in writing such prepayment, resulting in the payment in full of all Obligations under this Note, in which case any excess amount may be applied to the Existing Note.

(d) Any such prepayment or offer to prepay 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 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 any 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, in cash, to the Lender by of all of the outstanding Obligations of the Borrowers under the Note Documents, to be subrogated to the security interest that may then be held by the Lender upon the Collateral securing or purporting to secure the Obligations. If subrogation is demanded by any Borrower, then, after discharge of this Note following payment in full, in cash, to the Lender of all of the outstanding Obligations of the Borrowers under the Note Documents, 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 Obligations.

(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, in cash, to Lender of the principal amount of, and interest on, this Note and the payment in full, in cash, of all other outstanding Obligations of the Borrowers under the Note Documents. 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.

Each Borrower, as collateral security for the prompt and complete payment and performance when due of the Obligations, 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 first priory lien on and security interest in all of such Borrower's right, title and interest, whether now owned or hereafter acquired, in the Additional Collateral including but not limited to the Pledged Stock, provided that this Agreement shall not constitute a grant of a security interest in, and the term "Additional Collateral" shall not include: (A) any property to the extent that and for as long as a grant of a security interest in such property (i) is prohibited by any applicable law or, (ii) requires a filing with or consent from any entity or person pursuant to any applicable law that has not been made or obtained, (B) any lease, license or agreement to the extent a grant of a security interest in such lease, license or agreement, constitutes a breach or default under or results in the termination of, or requires any consent not obtained under such lease, license or agreement, except to the extent that such applicable provisions of any such lease, license or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, (C) any right, title or interest in any applications for the registration for any Trademarks filed in the United States Patent and Trademark Office pursuant to 15 U.S.C. §1051 Section 1(b), unless and until acceptable evidence of use of the mark in interstate commerce is submitted to the United States Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (15 U.S.C. 1051, et seq.) to the extent, if any, that, and during the period, if any, in which granting a security interest in such Trademark application prior to such filing would adversely affect the enforceability or validity of such Trademark application or of any registration that issues therefrom, (D) any leaseholds of real property, (E) any Excluded Accounts, (F) is in assets subject to a lien securing Capital Lease Obligations or Purchase Money Obligations, in each case as permitted under this Note, if the contract or other agreement in which such lien is granted prohibits the creation of any other lien on such assets, except to the extent that applicable provisions of any such contract or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, or (G) subject to Section 6.3(b) below, shares of capital stock of HC2 Broadcasting License (the foregoing clauses (A) through (G), collectively, shall be referred to hereafter as the "**Excluded Collateral**"); provided, that, automatically upon the payment in full or other irrevocable discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, all shares of capital stock of HC2 Broadcasting License shall cease to constitute Excluded Collateral and shall be pledged to the Lender and constitute Additional Collateral for all purposes under this Note.

6.2 Filings. Each Borrower hereby authorizes the Lender to file, in any filing office as "Secured Party", without any further action by any Borrower, financing statements and amendments to financing statements describing the Collateral as the Lender determines in its sole discretion, including financing statements listing "All Assets, whether now owned or hereafter acquired," or words of similar effect, in the collateral description therein.

6.3 Further Assurances; Expenses. 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 any Note Document or otherwise necessary or deemed by the Lender reasonably desirable for the continued validity, enforceability, perfection and first 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;

(b) 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 first priority of the Liens on the Collateral pursuant to this Note, subject to Section 6.4. Upon payment in full, in cash, to Lender by the Borrowers of all of the outstanding Obligations of the Borrowers under the Note Documents, the Lender shall take all action and execute and deliver all documents to immediately discharge and release all Liens granted under this Note; and

(c) promptly upon the payment in full or other discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, the Borrowers shall deliver (or shall cause HC2 Broadcasting License to deliver) the following to the Lender, in each case in form and substance satisfactory to the Lender: (i) a joinder agreement whereby HC2 Broadcasting License agrees to become party to this Note as a Borrower for all purposes hereunder, and (ii) to the extent certificated, the certificates representing 100% of the equity interests of HC2 Broadcasting

License together with undated stock powers executed in blank, as applicable.

6.4 Agreement Re: Secured Notes and Intercreditor Agreement. This Note is subject to the Agreement Re: Secured Notes and the Intercreditor Agreement with respect to the priority of any security interests, application of payments or the exercise of any rights and remedies. In the event of any conflict between this Note, the Agreement Re: Secured Notes and the Intercreditor Agreement, the Intercreditor Agreement shall govern and be controlling, other than with respect to Section 6.1. Notwithstanding anything to the contrary set forth in this Note, delivery, possession or control of any Controlled Shared Collateral and entering into any control agreement in connection with any deposit, securities or other account constituting Collateral shall, in each case, be in accordance with, and subject to, the terms of the Intercreditor Agreement.

6.5 Perfection. Notwithstanding anything to the contrary set forth in this Note, no Borrower shall be required to take any action or complete any filings with respect to any asset constituting Excluded Perfection Assets, it being understood and agreed that, as of the date hereof, there are no assets constituting Excluded Perfection Assets.

6.6 Investor Rights Agreement. In consideration of the Loan being extended by the Lender hereunder, HC2 Broadcasting Inc. hereby (a) assigns all of its rights and interests under the Investor Rights Agreement, the Voting Agreement, and each of the Proxies to the Lender; and (b) appoints the Lender as its designee for all purposes under the Investor Rights Agreement, the Voting Agreement, and each of the Proxies.

6.7 Termination. Upon payment in full of all Obligations (other than contingent Obligations not then due and payable), all Liens on and security interests in the Collateral created by the Security Documents to secure the Obligations shall be automatically released. In connection with any termination or release pursuant to this Section 6.7, the Lender shall execute and deliver to any Borrower (or its designee or representative), at such Borrower's expense, all documents that such Borrower shall reasonably request to evidence such termination or release.

7. Covenants and Representations and Warranties.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that it shall, and shall cause its Subsidiaries to:

(a) (x) commencing with the fiscal quarter ended September 30, 2019 (if applicable), provide, or shall cause to be provided, to the Lender, as soon as available, but in any event within seventy five (75) days after the end of each of the first three fiscal quarters of each fiscal year, and (y) commencing with the fiscal year ending December 31, 2019, one hundred twenty (120) days after the fiscal year, a consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter or year (as applicable), and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter or year (as applicable) 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 the Parent Borrower that such statements fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of the Parent Borrower and its consolidated Subsidiaries 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 any Borrower, its Subsidiaries or any of their respective assets, in each case that has a claim for damages in excess of US $1,000,000 or that could otherwise result in a cost, expense or loss to such Borrower or its Subsidiaries in excess of US $1,000,000;

(c) provide to the Lender immediate written notice of any Default, Event of Default, any event or circumstance that could reasonably be expected to have a Material Adverse Change or the occurrence of a Material Adverse Change;

(d) provide to the Lender such other information respecting the business, operations, or property of the Borrowers and their Subsidiaries, 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 such Borrower and its Subsidiaries and maintain all related permits necessary for the ownership and operation of such Borrower's and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries 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 and its Subsidiaries 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 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 under each Note Document.

(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 this Note to repay in full, in cash, all non- contingent obligations under the Arena Notes and the MBI Secured Note on the Closing Date, pay fees, costs and expenses related to the Note Documents, including interest and principal payments, to pay the cash consideration for acquisitions, including fees, costs and expenses related to such acquisitions, and for general corporate purposes not in contravention of any Law or any Note Document.

(m) promptly upon receipt thereof, provide copies to Lender of all material notices and documents delivered to or by any Borrower or its Subsidiaries pursuant to any of the Existing Notes, the Amended and Restated Great American Note or the Preferred Equity Agreement.

(n) preserve, renew and maintain in full force and effect its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents.

(o) (i) other than as permitted in accordance with <u>Section 7.2</u>(g), maintain, preserve, protect and defend all FCC Licenses in full force and effect in the ordinary course consistent with past practice and maintain and preserve all of its material tangible properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (ii) make all necessary repairs thereto and renewals and replacements thereof, except where the failure to do so could not reasonably be expected to result in a Material Adverse Change.

(p) conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction, and maintain policies and procedures designed to promote and achieve compliance with such laws.

(q) (i) comply with all FCC media ownership rules set forth in Note 2 to 47 C.F.R. § 73.3555 and (ii) furnish to Lender, upon Lender's request, detailed calculations demonstrating the total asset value of each FCC licensed broadcast station to permit Lender to determine whether the aggregate of Lender's equity and debt interests in each FCC licensed broadcast station exceeds 33% of the total asset value of such FCC licensed broadcast station.

(r) promptly (and in any event no later than sixty (60) days after the Closing Date, as may be extended by the Lender in its sole discretion), deliver to the Lender (i) executed account control agreement(s) in form and substance reasonably satisfactory to the Lender with respect to any deposit or securities account of any of the Borrowers that is not an Excluded Account; (ii) executed landlord waivers in form and substance reasonably satisfactory to the Lender with respect to each property identified in Schedule 7.1(r) (provided that, notwithstanding anything to the contrary, the Borrowers shall not be deemed to have breached their obligations under this clause (ii) to the extent that they are using their reasonable best efforts to obtain such executed landlord waivers); (iii) an amendment to the New York Channel Sharing Agreement in form and substance reasonably satisfactory to the Lender and duly executed by each of the parties thereto pursuant to which HC2 Holdings, Inc. is removed as a party to the New York Channel Sharing Agreement; and (iv) insurance certificates evidencing compliance with Section 7.01(g).

7.2 Restrictions. Each Borrower covenants and agrees that it shall not, and shall not permit any of its Subsidiaries to, 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 (it being understood that (x) the accrual or accretion of interest or payments in kind (and not in cash) or (y) any extension of scheduled date of maturity of any loan or debt (which is Permitted Indebtedness) pursuant to any instrument, agreement, document or letter, shall, in each case, not be deemed to be an incurrence of indebtedness).

(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 that (x) accrue or are paid in kind (and not in cash) or (y) are made by one Borrower that are substantially concurrently invested in the common equity capital of, or contributed to the equity capital of, any other Borrower.

(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); provided, that (i) to the extent that any such acquisition or investment is proposed to result in any Borrower owning a Subsidiary that is not party to this Note and the Note Documents, within five (5) Business Days of such acquisition or investment, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral and (ii) no joint venture may be entered into in connection with any acquisition or investment otherwise permitted hereunder.

(f) permit or cause the sale of any assets of such Borrower or its Subsidiaries except (i) as permitted by Section 7.2(g) with respect to silent licenses or construction permits or (ii) for sales of any such assets not constituting Collateral individually or in the aggregate with a fair market value not to exceed US $2,500,000 during the term of this Note.

(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 in the ordinary course of business and consistent with past practice any FCC License that is either a silent license or a construction permit and which in the good faith determination of the Borrowers either (x) has a nominal value (taking into account the intended use of such License to any Borrower) or (y) is duplicative with other FCC Licenses owned by the Borrowers; or (iv) exchange an FCC License that is a silent license or a construction permit and any assets related to such FCC License for assets in an amount not less than the fair market value of the FCC License and related assets being exchanged, in each case in the ordinary course of business and consistent with past practice and subject to an aggregate cap of US $5,000,000 in fair market value of all such exchanged FCC Licenses (together with the fair market value of any assets related to such FCC Licenses), in the case of clause (iii) or (iv) if such transaction exceeds US $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; (2) be a party to any merger or consolidation; or (3) sell, convey, transfer or otherwise dispose of all or substantially all of its assets (other than a transfer or disposition to another Borrower or to an entity that substantially concurrently with such transfer or disposition will become a Borrower and a party to the Note Documents and will grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral).

(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: (i) any sale or disposition of silent licenses and/or construction permits permitted by Section 7.2(f) that are 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 (as determined by the board of directors of the Parent Borrower) and in connection therewith such Borrower provides written notice to the Lender at least three (3) Business Days prior to the consummation of such transaction (which such notice shall include all material terms and conditions of such transaction), (ii) any other transaction or series of transactions approved by Lender, (iii) the agreements set forth in Schedule 7.2(i) (to the extent performed in accordance with past practice), and (iv) reimbursement of expenses in the ordinary course of business, including reimbursement of expenses associated with employee-benefit plans, travel expenses incurred on a shared corporate card programs, shared facility costs, overhead expenses associated with shared office space and financial systems resources, and professional service fees; provided, however, that any such reimbursements permitted under this clause (iv) shall not exceed US $3,000,000 in the aggregate in any fiscal year.

(j) directly or indirectly form a Subsidiary unless within five (5) Business Days of such formation, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral.

(k) amend, restate, supplement or otherwise modify the Preferred Equity Agreement, the Investor Rights Agreement, any of the Proxies, the Voting Agreement, any Existing Note, any Channel Sharing Agreement (other than as contemplated by Section 7.1(r)), or the King Forward Pledge Agreement in any respect.

(l) directly or indirectly use the net proceeds of this Note for any purpose which could breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction.

(m) take any action, or knowingly omit to take any action, which action or omission could reasonably be expected to have the result of materially impairing the perfection or priority of the security interest with respect to the Collateral for the benefit of the Lender.

(n) incur, or permit any ERISA Affiliate to incur, any liability, actual or contingent, with respect to a Pension Plan.

(o) Subject to Section 7.1(r), permit any Affiliate of any Borrower that is not a Borrower to be a party to any Channel Sharing Agreement.

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 with respect to itself and its Subsidiaries as applicable, until all Obligations under this Note is discharged in full, in cash:

(a) each Borrower and its Subsidiaries 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 or Subsidiary has material operations or assets.

(b) each Borrower has full power and authority to execute and deliver this Note and the other Note Documents and to incur and perform the obligations provided for herein and therein, respectively, 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 any other Note Documents, and each Borrower and its Subsidiaries is in compliance with all Laws and regulatory requirements to which it is subject.

(c) this Note and the other Note Documents constitute 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 or its Subsidiaries 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 its Subsidiaries and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or its Subsidiaries or affecting its or its Subsidiaries' property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note and any other Note Document.

(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 and its Subsidiaries have been paid or are being contested in good faith by appropriate proceedings and such Borrower and its Subsidiaries have filed all tax returns which it is required to file.

(g) neither any Borrower nor any Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(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 and its Subsidiaries is as set forth on Schedule 7.3(i), which Schedule 7.3(i) shall also include the number of shares of common stock of each Borrower and its Subsidiaries outstanding as of the date hereof, (ii) 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 any Borrower except as set forth on Schedule 7.3(i), (iii) except as set forth on Schedule 7.3(i), 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, (iv) all of the outstanding shares of capital stock of each Borrower and its Subsidiaries 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, (v) except as set forth on Schedule 7.3(i), there are no stockholders agreements, voting agreements or other similar agreements with respect to any Borrower's capital stock to which such Borrower is a party or, to the knowledge of such Borrower, between or among any of such Borrowers' stockholders, (vi) no Person has any right to cause any Borrower to effect the registration under the Securities Act of any securities of such Borrower or any of its Subsidiaries and (vii) no Borrower has any Subsidiaries.

(j) the property of each Borrower (and each Subsidiary of each Borrower) is subject to no Liens, other than Permitted Liens.

(k) the property of each Borrower (and each Subsidiary of each Borrower) is insured with financially sound and reputable insurance companies in such amounts as are customarily carried by companies engaged in similar businesses and owning similar properties.

(l) ERISA Compliance.

(i) each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the IRS to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the IRS. To the knowledge of each Borrower, nothing has occurred that would prevent or cause the loss of such tax qualified status. No Plan is maintained outside the United States.

(ii) there are no pending or, to the best knowledge of the Borrowers, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to result in a Material Adverse Change. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Change.

(iii) neither the Borrowers nor any ERISA Affiliate currently maintains or has ever maintained or been required to contribute to a Pension Plan. None of the Plans is a Multiemployer Plan and neither the Borrowers nor any ERISA Affiliate are required to contribute to, or have ever been required to contribute to, a Multiemployer Plan. Neither the Borrowers nor any ERISA Affiliate has incurred any liability relating to Title IV of ERISA, and no fact or event exists which would give rise to such liability.

(m) the Parent Borrower has no Subsidiaries other than those specifically disclosed in Schedule 7.3(m) (which schedule may be updated upon acquisition or formation of a Subsidiary permitted under this Note), and all of the outstanding equity interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Parent Borrower or a Subsidiary of the Parent Borrower in the amounts specified on Schedule 7.3(m) free and clear of all Liens, other than Permitted Liens. No Borrower has any equity investments in any other Person other than those specifically disclosed in Schedule 7.3(m) (as may be updated from time to time). All of the outstanding equity interests in the Parent Borrower have been validly issued and are fully paid and nonassessable.

(n) no Borrower nor any of its Subsidiaries is engaged, and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States), or extending credit for the purpose of purchasing or carrying margin stock.

(o) no Borrower nor any of its Subsidiaries is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

(p) no report, financial statement, certificate or other information furnished by or on behalf of any Borrower or any of its Subsidiaries to the Lender in connection with the transactions contemplated hereby and under the other Note Documents (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(q) each Borrower and its Subsidiaries own, or possess the right to use, all of the Trademarks, service marks, trade names, Copyrights, Patents, patent rights, licenses and other intellectual property rights that are reasonably expected to be necessary for the operation of their respective businesses, as currently conducted, without conflict with the rights of any other Person, except where the failure to own, license or have the right to use would not, individually or in the aggregate, result in a Material Adverse Change. Except as specifically disclosed in Schedule 7.3(d), no claim or litigation regarding any of the foregoing is pending or, to the knowledge of any Borrower, threatened against any Borrower or Subsidiary, which, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

(r) each Borrower is, both individually and together with its Subsidiaries on a consolidated basis, Solvent.

(s) neither any Borrower, nor any of its Subsidiaries, nor, to the knowledge of any Borrower, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is majority owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC’s List of Specially Designated Nationals, HMT’s Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) organized or resident in a Designated Jurisdiction.

(t) each Borrower and its Subsidiaries are in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other applicable similar anti-corruption legislation in any other applicable jurisdiction.

8. Events of Default. Each Borrower covenants and agrees that 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, or any fees, costs or expenses with respect to, the Loan and the Obligations when due.

8.2 Breach of Covenants. Except (i) for matters otherwise addressed in this Section 8, (ii) any breach of Section 7.1(l), (n) or (p), each of which shall have no grace period and (iii) any breach of Section 7.1(c) or 7.2, each of which shall have a grace period of seven (7) days, any Borrower fails to observe or perform any covenant, condition or agreement contained in this Note or any other Note Document and such failure continues for fifteen (15) days.

8.3 Bankruptcy. Any Borrower or any of its Subsidiaries files a petition in bankruptcy or under any similar insolvency Law, makes an assignment for the benefit of creditors, if any petition in bankruptcy or under any similar insolvency Law is filed against any Borrower or any of its Subsidiaries and such petition is not dismissed within thirty (30) days after the filing thereof, or any Borrower or any of its Subsidiaries 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 or any of its Subsidiaries 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.

8.5 Breach of Representations and Warranties. Any representation or warranty made by any Borrower under this Note, any Note Document or any statement of fact or representation made by any Borrower in any report, financial statement, certificate or other document furnished to the Lender pursuant to this Note or any Note Document, shall prove to have been false or misleading in any material respect when made or delivered.

8.6 Change in Control. A Change in Control shall occur.

8.7 Material Adverse Change. Any Material Adverse Change shall occur.

8.8 Note Documents. Any provision of any Note Document at any time after its execution and delivery and for any reason other than (i) as permitted hereunder or thereunder, or (ii) in connection with the satisfaction in full of all of the Obligations (other than contingent Obligations not then due and payable), ceases to be in full force and effect; or any Borrower or any other person contests in any manner the validity and enforceability of any provision of any Note Document; or any Borrower denies that it has any or further liability or obligation under any the

Note Document, or purports to revoke, terminate or rescind any provisions of any Note Document.

8.9 Cross Default. Any Borrower or any Subsidiary (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of (A) the Amended and Restated Great American Note; (B) any indebtedness of any Borrower or any Subsidiary, individually or in the aggregate, exceeding US $1,000,000, other than under the Existing Notes or the Amended and Restated Great American Note; (C) any indebtedness under the Existing Notes and such payment default causes or permits the applicable lender under any such Existing Note to exercise any enforcement action or enact any remedy under the applicable Existing Note; or (D) any indebtedness under the Revolving Credit Agreement (the indebtedness under this clause (i) is referred to herein collectively as the "**Material Indebtedness**"), or (ii) fails to observe or perform any other agreement or condition relating to such Material Indebtedness, and such default or other event causes or permits a holder or holders of such Material Indebtedness to cause (after any applicable grace period), with the giving of notice if required, such Material Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such indebtedness to be made, prior to its stated maturity.

8.10 Preferred Equity Agreement. Any Borrower or any of its Subsidiaries shall default in the payment or performance of any obligation under the Preferred Equity Agreement, or any document related thereof, resulting in a Trigger Event as defined thereunder as of the date hereof.

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 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 and all other Obligations 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 and any other Note Document (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 the 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 sells 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 the 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 the Note Documents are satisfied in full, in cash.

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, solely to the extent required under applicable Law, 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 owners, 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, any other Note Document or the Loan, the Obligations, the use of proceeds of this 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 the Obligations under the Note Documents 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 Broadcasting Intermediate Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
HC2 Broadcasting Inc.
HC2 Network Inc.

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

(ii) If to the Lender:

c/o MSD Partners, L.P.
645 Fifth Avenue, 21st Floor
New York, New York 10022-5910

Attn: Marcello Liguori

With copies to:

Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178
Attn: Daniel Papermaster
Attn: Kristen V. Campana

(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, execution, delivery and administration of the Note Documents, (b) the transactions contemplated by the Note Documents, including, but not limited to amendments, waivers or other modification to any Note Document, whether or not such document is executed or the proposed transactions hereunder or thereunder are consummated, (c) monitoring the Lender’s rights with respect to the Obligations under this Note, (d) any 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, and (e) to the extent not included in the foregoing, reasonable attorneys’ fees, costs and expenses incurred in connection with a workout or restructuring and which shall not include, without the consent of the Parent Borrower, the fees and expenses of a third party financial advisor.

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. Prior to the occurrence of an Event of Default and except for an assignment or transfer of this Note to one of its controlled Affiliates, the Lender may not otherwise assign or transfer this Note or any of its rights hereunder without the prior written consent of the Parent Borrower. Following the occurrence and during the continuance of any Event of Default, the Lender may freely assign or transfer this Note and/or any of its rights hereunder and under any of the Note Documents. 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 the 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

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,
as the Intermediate Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_______*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 NETWORK INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_______*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

Accepted and agreed:

MSD PCOF PARTNERS XVIII, LLC,
as the Lender

By: _/s/ Marcello Liguori_
Name: Marcello Liguori
Title: Vice President

ANNEX I

SCHEDULE OF LENDERS

Lender	Jurisdiction of Organization	Principal Amount
MSD PCOF Partners XVIII, LLC	Delaware	US $36,225,000

SCHEDULE 7.1(r)

LIST OF PROPERTIES FOR LANDLORD WAIVER

Property Description	**Zip Code/ Postal Code**	**Legal Entity**	**Vendor/Tenant Name**
450 PARK AVE, 29TH FL, New York, NY	10022	HC2 Broadcasting Holdings Inc.	450 Property Owner (US), LLC
Building - 10893 NW 17TH ST, UNIT 113, Doral, FL	33172	HC2 Broadcasting Holdings Inc.	Agrosilca 2018 Investment LLC
Building - 2945 SENIOR RD, Missouri City, TX	77459	HC2 Station Group, Inc.	American Tower, L.P.
Building - 1204 W BELT LINE RD, Cedar Hill, TX	75104	HC2 Station Group, Inc.	Richland Dallas Tower, LLC
Media Gateway, Little Rock, AR	72211	HC2 Station Group, Inc. and DTV American Corporation	Media Gateway
Empire State Building Leased Facility WEDW Channel Share	10118	HC2 Station Group, Inc.	Connecticut Public Broadcasting

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.

(2) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Bella Spectra Corporation.

(3) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Licensing, L.L.C.

(4) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Broadcasting Corporation.

(5) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and King Forward, 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.

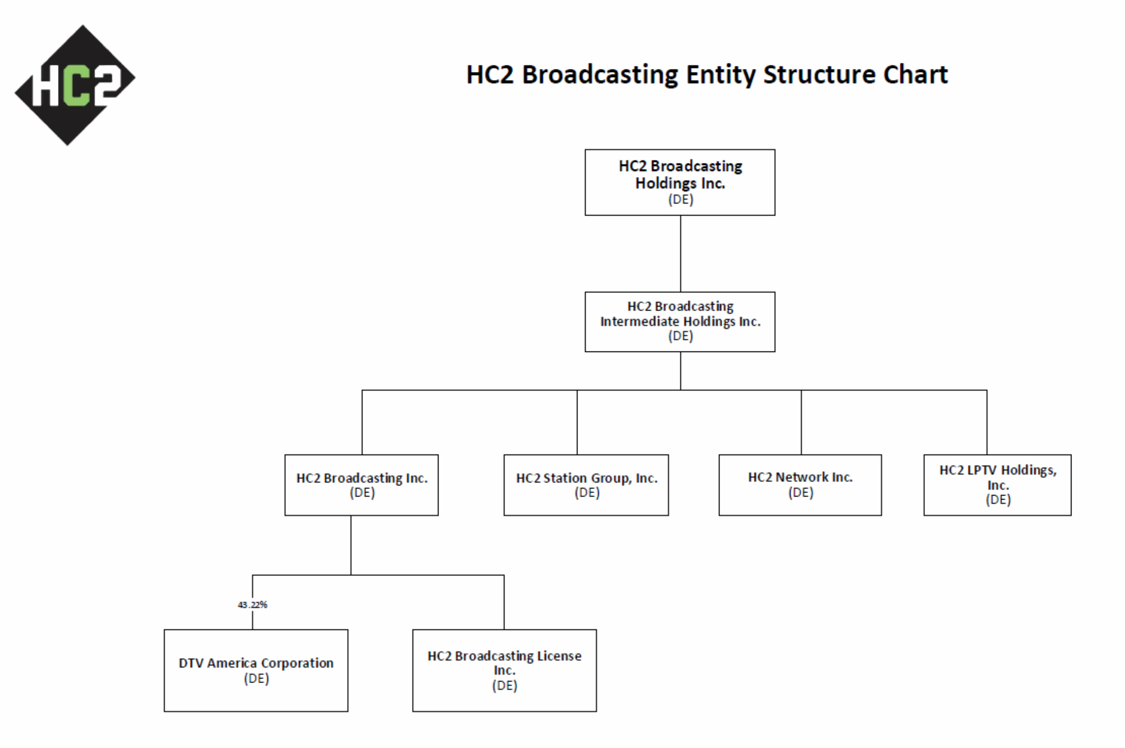
SCHEDULE 7.3(f)

TAXES

None.

SCHEDULE 7.3(h)

ORGANIZATIONAL CHART



SCHEDULE 7.3(i)

CAPITALIZATION,

PREEMPTIVE RIGHTS,

STOCK OPTIONS AND WARRANTS

A. CAPITALIZATION

HC2 Broadcasting Intermediate Holdings Inc.

Common Stock

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

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

HC2 Broadcasting 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 %**

HC2 Network 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 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 %**

DTV America Corporation

Common Stock

Total Authorized: 60,000,00 shares of Common Stock, $.01 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Inc.	13,200,158	43.22 %
Continental General Insurance Company	2,089,574	6.84 %
Others	15,253,049	49.94 %
Total Issued	30,542,781	**100.00 %**

HC2 Broadcasting License Inc.

Common Stock

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

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

B. PREEMPTIVE RIGHTS

1) Continental Letter Agreement
2) Securities Purchase Agreement, dated as of July 15, 2015, between DTV America Corporation, a Delaware corporation and each purchase identified on signature pages thereto.

C. STOCK OPTIONS AND WARRANTS

Exhibit 4.23

Execution Version

THIS SECURED NOTE IS SUBJECT TO THE PROVISIONS OF THE INTERCREDITOR AGREEMENT, DATED AS OF OCTOBER 24, 2019 (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME), AMONG HC2 BROADCASTING HOLDINGS INC., HC2 STATION GROUP, INC., HC2 LPTV HOLDINGS, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., THE OTHER GRANTORS PARTY THERETO, MSD PCOF PARTNERS XVIII, LLC, GREAT AMERICAN LIFE INSURANCE COMPANY AND GREAT AMERICAN INSURANCE COMPANY.

AMENDED AND RESTATED SECURED NOTE

US $42,500,000 October 24, 2019

FOR VALUE RECEIVED, **HC2 Station Group, Inc.**, a Delaware corporation, **HC2 LPTV Holdings, Inc.**, a Delaware corporation, **HC2 Broadcasting Inc.**, a Delaware corporation, **HC2 Network Inc.**, a Delaware corporation (collectively, the "**Subsidiary Borrowers**"), **HC2 Broadcasting Intermediate Holdings Inc.**, a Delaware corporation (the "**Intermediate Parent**"), **HC2 Broadcasting Holdings Inc.**, a Delaware corporation (the "**Parent Borrower**" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "**Borrowers**" and each, a "**Borrower**") hereby unconditionally promise, severally and jointly, to pay to the entities listed on Annex I hereto (collectively, the "**Lenders**", and each a "**Lender**"), or their respective successors and assigns, Forty Two Million Five Hundred Thousand Dollars (US $42,500,000), together with interest on the unpaid principal balance of this Amended and Restated Secured Note (this "**Note**") outstanding from time to time at a rate equal to Ten and a Half percent (10.50%) (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, goods, payment intangibles, software, commercial tort claims set forth on Schedule 1.1(a) hereto, instruments, inventory, investment property, letter of credit rights, letters of credit, money, securities accounts and any supporting obligations related to any of the foregoing (each as defined in the Uniform Commercial Code as in effect from time to time in the State of New York ("**UCC**"));

(c) all books and records pertaining to the property described in this Section 1.1;

(d) all Intellectual Property pertaining to the property described in this Section 1.1; 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.

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 Ninth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of the date hereof, among the Borrowers, the Lenders and the other 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 "**California Channel Sharing Agreement**" means that certain Second Amended and Restated Channel Sharing and Facilities Agreement, dated as of November 21, 2018, among, *inter alios*, NRJ TV SAN FRAN OPCO, LLC, NRJ TV SAN FRAN LICENSE CO, LLC, and HC2 Station Group, Inc.

1.7 "**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.

1.8 "**Capital Lease Obligations**" means the obligations of lessee relating to a Capital Lease determined in accordance with GAAP.

1.9 "**Change in Control**" means (i) HC2 Holdings 2, Inc., shall cease to directly own and control at least 50.1% of the outstanding Voting Stock and economic interests of Parent Borrower, (ii) the Parent Borrower shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of Intermediate Parent, (iii) the Intermediate Parent shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of each Subsidiary Borrower, (iv) HC2 Broadcasting Inc., shall cease to directly own and control (a) 100% of the outstanding Voting Stock and economic interests of HC2 Broadcasting License, and (b) at least 43.0% of the outstanding Voting Stock and economic interests in DTV America Corporation, or (v) HC2 Broadcasting Inc. shall cease to control at least 50.1% of the outstanding Voting Stock of DTV America Corporation as contemplated by the Investor Rights Agreement, the Proxies, the Voting Agreement or otherwise.

1.10 "**Channel Sharing Agreements**" means, collectively, the New York Channel Sharing Agreement and the California Channel Sharing Agreement.

1.11 "**Closing Date**" means the date upon which the conditions set forth in Section 2.2 are satisfied.

1.12 "**Code**" means the Internal Revenue Code of 1986, as amended.

1.13 "**Collateral**" means, collectively, the Pledged Stock and the Additional Collateral (but in any case shall not include the Excluded Collateral).

1.14 "**Collateral Agent**" has the meaning set forth in the Intercreditor Agreement.

1.15 "**Common Stock Equivalents**" means any securities of any 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.

1.16 "**Continental Secured Note**" means the US $2,000,000 Amended and Restated Secured Note, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company, as amended and supplemented by that certain letter agreement, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company (formerly known as United Teacher Associates Insurance Company) (the "**Continental Letter Agreement**"), in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.17 "**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

1.18 “**Controlled Shared Collateral**” has the meaning set forth in the Intercreditor Agreement.

1.19 “**Copyright**” means all domestic and foreign copyrights, whether registered or not or the subject of a pending application, all applications, registrations and recordings thereof, and all extensions or renewals thereof.

1.20 “**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.

1.21 “**Default Rate**” means, at any time, a rate per annum equal to the Interest Rate plus 4.00 % per annum.

1.22 “**Designated Jurisdiction**” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

1.23 “**Disbursement**” has the meaning set forth in Section 2.1.

1.24 “**DTV Notes**” means, that certain, (i) Convertible Promissory Note, dated as of March 25, 2014, between DTV America Corporation and Bruce A. Leshinski, in the original principal amount of US $100,000, (ii) Convertible Promissory Note, dated as of May 1, 2014, between DTV America Corporation and Joseph G. Carpino, in the original principal amount of US $300,000, (iii) Convertible Promissory Note, dated as of March 28, 2014, between DTV America Corporation and Wayne H. Wellman, in the original principal amount of US $300,000, (iv) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Life Insurance Company, in the original principal amount of US $900,000, and (v) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Insurance Company, in the original principal amount of US $600,000, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.25 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

1.26 “**ERISA Affiliate**” means any trade or business (whether or not incorporated) under common control with any Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

1.27 “**Event of Default**” has the meaning set forth in Section 8.

1.28 “**Excluded Account**” means, (x) a deposit account held by any Borrower (i) consisting solely of withheld income taxes and federal, state or local employment taxes in such amounts as are required in the reasonable judgment of such Borrower in the ordinary course of business to be paid to the relevant Governmental Authority, (ii) which is used for the sole purpose of making payroll for the then-current payroll period and withholding tax payments related thereto and other employee wage and benefit payments and accrued and unpaid employee compensation (including salaries, wages, benefits and expense reimbursements), (iii) constituting a custodian, trust, fiduciary or other escrow account established for the benefit of third parties in the ordinary course of business in connection with transactions permitted under the Note Documents and (y) any deposit account, securities account or commodities account held by any Borrower in which the average daily balance throughout a month in is less than US $10,000 individually and US $50,000 in the aggregate for all such accounts or such accounts in which the average daily balance throughout a month of the fair market value and/or amount, as the case may be, of the financial assets and/or commodity contracts, as the case may be, held in all such accounts not identified is less than US $10,000 individually or US $50,000 in the aggregate.

1.29 “**Excluded Collateral**” has the meaning set forth in Section 6.1.

1.30 “**Excluded Perfection Assets**” means, (i) any foreign Intellectual Property; (ii) Goods (as defined in the UCC) included in Collateral received by any Person for “sale or return” within the meaning of Section 2-326 of the UCC of the applicable jurisdiction, to the extent of claims of creditors of such Person (only to the extent the filing of a financing statement is not necessary or effective to perfect the security interest therein); (iii) Letter of Credit Rights (as defined in the UCC), except to the extent the filing of a financing statement under the UCC is necessary and sufficient to perfect the security interest therein; (iv) any promissory note in a principal amount not in excess of US $10,000 individually or in the aggregate not in excess of US $50,000, evidencing loans or other monetary obligations owing to any Borrower; and (v) any Collateral for which the perfection of liens thereon requires filings in or other actions under the laws of jurisdictions outside the United States.

1.31 “**Existing Notes**” means, collectively, the DTV Notes, the Intercompany Note, the King Forward Secured Notes, the Continental Secured Note, the Mako Note and the Intercompany Unsecured Bridge Notes.

1.32 “**Existing Great American Notes**” has the meaning set forth in Section 11.16.

1.33 “**FCC Licenses**” means licenses, permits, and other authorizations granted by the Federal Communications Commission.

1.34 “**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.

1.35 "**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.

1.36 "**HC2 Broadcasting License**" means HC2 Broadcasting License Inc., a Delaware Corporation.

1.37 "**HMT**" has the meaning set forth in the definition of "Sanctions".

1.38 "**Indemnified Person**" has the meaning set forth in Section 10.1.

1.39 "**Intellectual Property**" means all intangible assets, intellectual property, Copyrights, Trademarks, and Patents.

1.40 "**Intercompany Note**" means that certain Intercompany Note executed as of April 30, 2019 and effective as of June 30, 2018 between the Parent Borrower and HC2 Holdings 2, Inc., as in effect on the date hereof, and subject to the Intercompany Note Subordination Agreement.

1.41 "**Intercompany Note Allonge**" means that certain allonge that pledges each Intercompany Unsecured Bridge Note to the Lenders.

1.42 **"Intercompany Note Subordination Agreement"** means the Subordination Agreement with respect to the Intercompany Note, dated as of the date hereof, by HC2 Holdings 2, Inc., in favor of the Lenders and MSD, as holders of this Note and the MSD Secured Note, as the case may be, as amended, restated, supplemented or otherwise modified from time to time.

1.43 "**Intercompany Unsecured Bridge Notes**" means each of (i) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender; and (ii) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.44 "**Intercreditor Agreement**" means that certain Intercreditor Agreement, dated as of the date hereof, by and among the Lenders, MSD, and the Borrowers, as amended, restated, supplemented or otherwise modified from time to time.

1.45 "**Interest Payment Date**" means earlier of (a) the Maturity Date and (b) with respect to any portion of this Note that is prepaid prior to the Maturity Date, the applicable prepayment date.

1.46 “**Interest Rate**” has the meaning set forth in the introductory paragraph.

1.47 “**Intermediate Parent**” has the meaning set forth in the introductory paragraph.

1.48 **“Intermediate Pledged Stock”** means all shares of capital stock issued by the Intermediate Parent, 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.

1.49 “**Investor Rights Agreement**” means that certain Investor Rights Agreement dated as of June 27, 2017 among DTV America Corporation, HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), and the Stockholders (as defined therein) party thereto.

1.50 “**IRS**” means the U.S. Internal Revenue Service.

1.51 “**King Forward Guarantees**” means the Guaranty Agreements listed as items 2, 3, 4 and 5 in Schedule 7.2(i) hereto.

1.52 “**King Forward Lenders**” means each of King Forward Inc., Tiger Eye Licensing, L.L.C., and Tiger Eye Broadcasting Corporation.

1.53 “**King Forward Pledge Agreement**” means that certain Stock Pledge Agreement, dated as of November 9, 2017, between HC2 Broadcasting Inc. and King Forward, Inc.

1.54 “**King Forward Secured Notes**” means (i) the US $1,943,109.90 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License and King Forward Inc.; (ii) the US $142,212.60 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Licensing, L.L.C., (iii) the US $294,728.40 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Broadcasting Corporation, and (iv) the US $25,385.40 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License, Bella Spectra Corporation, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.55 “**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.

1.56 “**Lenders**” has the meaning set forth in the introductory paragraph.

1.57 “**Lien**” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

1.58 “**Loan**” means the principal amount outstanding under this Note together with accrued interest thereon.

1.59 “**Mako Note**” means the amended and restated promissory note, dated as of July 25, 2019, among HC2 LPTV Holdings, Inc., Mako Communications, LLC, Mintz Broadcasting, Nave Broadcasting, LLC, Tuck Properties, Inc., Lawrence Howard Mintz and Sean Mintz, in the original principal amount of US $5,332,849.32, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.60 “**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 legality, binding effect, validity or enforceability against any Borrower of any Note Document; (c) the ability of the Borrowers, taken as a whole, to perform their obligations under any Note Document; (d) any right or remedy of a Lender against any Borrower under any Note Document; or (e) the value of the FCC Licenses, taken as a whole; provided, however, that for purposes of the foregoing clause (e), the value of any sale, transfer, lease, assignment, conveyance, abandonment or other disposition of assets permitted by Section 7.2 shall be excluded for purposes of determining whether a Material Adverse Change has occurred.

1.61 **“Maturity Date”** means the earlier of (a) October 22, 2020 and (b) the date on which all amounts under this Note shall become due and payable.

1.62 “**Material Indebtedness**” has the meaning set forth in Section 8.9.

1.63 “**MSD**” means MSD PCOF Partners XVIII, LLC, a Delaware limited liability company, and its successors and permitted assigns under the MSD Secured Note.

1.64 “**MSD Agreement Obligations**” has the meaning set forth in the Intercreditor Agreement.

1.65 “**MSD Secured Note**” means the US $36,225,000 secured note, dated as of the date hereof, among the Borrowers and MSD, as lender, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms of the Intercreditor Agreement.

1.66 “**Multiemployer Plan**” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

1.67 “**Multiple Employer Plan**” means a Plan which has, or has had at any time during the preceding six years, two or more contributing sponsors (including any Borrower or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

1.68 “**New York Channel Sharing Agreement**” means that certain Channel Sharing and Facilities Agreement dated as of January 11, 2016 among, *inter alios*, Connecticut Public Broadcasting, Inc., HC2 LPTV Holdings, Inc., HC2 Station Group, Inc., and HC2 Holdings, Inc.

1.69 “**Note**” has the meaning set forth in the introductory paragraph.

1.70 “**Note Document**” means this Note, the Intercreditor Agreement, the Intercompany Note Subordination Agreement, the Agreement re: Secured Notes, the Intercompany Note Allonge and any other document or instrument executed or delivered in connection with transactions contemplated hereunder.

1.71 “**Obligations**” means all advances to, and debts, liabilities, obligations, covenants and duties of any Borrower arising under any Note Document or otherwise with respect to any Disbursement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower or any Affiliate thereof or any proceeding under any debtor relief law naming such person as the debtor in such proceeding, regardless of whether such interest or fees are allowed or allowable in such proceeding.

1.72 “**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury.

1.73 **“Parent Borrower”** has the meaning set forth in the introductory paragraph.

1.74 “**Parties**” means the Lenders and the Borrowers.

1.75 “**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.

1.76 “**Pension Plan**” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by any Borrower or any ERISA Affiliate (or with respect to which any Borrower or any ERISA Affiliate has any liability, whether actual or contingent) and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

1.77 “**Permitted Indebtedness**” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral which are MSD Agreement Obligations (subject to the Intercreditor Agreement) in an aggregate principal amount at any time outstanding of US $36,225,000 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; provided that, in connection with any refinancing or replacement in respect of indebtedness incurred pursuant to the foregoing clause (b), all such refinancings or replacements shall (x) not mature or require that any principal, interest or other amount be paid in cash, in each case prior to the Maturity Date, and (y) be subject to the terms and conditions of the Intercreditor Agreement and any and all fees, expenses, costs and premiums incurred in connection with such refinancing or replacement may not be paid in cash until the Obligations hereunder are paid in full, in cash; (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; (iii) unsecured intercompany indebtedness between or among the Borrowers that is evidenced by a promissory note accompanied by an allonge executed in blank and delivered to the Lenders upon the incurrence of such indebtedness; (iv) unsecured intercompany indebtedness of the Parent Borrower pursuant to the Intercompany Note, which shall be subject to the Intercompany Note Subordination Agreement (and any refinancing or replacement indebtedness in respect thereof, provided that such refinancing or replacement indebtedness will be subjected to a subordination agreement substantially consistent with the Intercompany Note Subordination Agreement and otherwise acceptable to the Lenders); (v) indebtedness incurred pursuant to the King Forward Secured Notes in an aggregate principal amount not to exceed US $2,405,436, including the King Forward Guarantees issued in connection therewith; (vi) indebtedness incurred pursuant to the Continental Secured Note in an aggregate principal amount not to exceed US $2,695,660; (vii) unsecured intercompany indebtedness of DTV America Corporation in an aggregate principal amount not to exceed US $2,500,000 and incurred pursuant to the Intercompany Unsecured Bridge Notes, which shall be subject to the Intercompany Note Allonge; (viii) indebtedness incurred pursuant to the Mako Note in an aggregate principal amount not to exceed US $3,582,849; and (ix) indebtedness incurred pursuant to the DTV Notes in an aggregate principal amount not to exceed US $2,652,023.56.

1.78 “**Person**” means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

1.79 “**Permitted Liens**” means (i) Liens securing indebtedness incurred pursuant to clauses (i), (v) or (vi) 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) licenses or sublicenses of (or other grants of rights to use) Intellectual Property in the ordinary course of business and consistent with past practice which do not secure any Indebtedness for borrowed money or between or among Borrowers; (iv) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable; (v) 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); (vi) 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; (vii) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment; (viii) Liens on the common stock of HC2 Broadcasting License pledged by HC2 Broadcasting Inc. in favor of the King Forward Lenders; (ix) Liens securing indebtedness incurred pursuant to the secured notes referenced in clauses (iv) and (v) of the definition of "DTV Notes"; and (x) Liens granted in favor of the Collateral Agent pursuant to the Intercreditor Agreement.

1.80 "**Plan**" means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate, or any such Plan to which any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees, in each case, for which any Borrower or any Subsidiary of any Borrower could have liability.

1.81 **"Pledged Stock"** means, collectively, the Intermediate Pledged Stock and the Subsidiary Pledged Stock.

1.82 "**Preferred Equity Agreement**" means the Series A Securities Purchase Agreement, dated as of December 3, 2018, by and among Continental General Insurance Company and Parent Borrower, together with the Amended and Restated Certificate of Designation of Series A Fixed Rate Preferred Stock of HC2 Broadcasting Holdings Inc., dated as of the date hereof, in each case, as in effect on the date hereof.

1.83 "**Proxies**" means each Irrevocable Proxy and Power of Attorney executed by any Stockholder pursuant to the Investor Rights Agreement.

1.84 "**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.

1.85 "**Revolving Credit Agreement**" means the Credit Agreement dated as of April 3, 2019, by and among HC2 Holdings, Inc., as the borrower, each of the guarantors party thereto and MSD PCOF Partners IX, LLC (together with any of its successors and assigns) as the lender, as amended, restated, supplemented or otherwise modified from time to time.

1.86 "**Sanction(s)**" means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury ("**HMT**") or other relevant sanctions authority.

1.87 "**Security Documents**" means this Note, any mortgages, deeds of trust, deeds to secure debt, security agreements, security trust agreements, pledge agreements, joinders, agency agreements, control agreements, intellectual property security agreements and other instruments and documents pursuant to which a lien or security interest in any asset of any Borrower is granted or Additional Collateral is pledged, assigned or granted to the Lenders, in each case, to secure the Obligations hereunder, as each may be amended, restated, supplemented or otherwise modified from time to time.

1.88 "**Solvent**" means, with respect to any Person on any date of determination, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (v) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

1.89 "**Stockholder**" has the meaning set forth in the Investor Rights Agreement.

1.90 **"Subsidiary"** means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned or controlled, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such Person and/or one or more Subsidiaries of such Person. Notwithstanding the foregoing, DTV America Corporation, a Delaware corporation, shall be deemed to be a Subsidiary of HC2 Broadcasting Inc. for all purposes hereunder. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of any Borrower.

1.91 **"Subsidiary Borrowers"** has the meaning set forth in the introductory paragraph.

1.92 **"Subsidiary Pledged Stock"** means all shares of capital stock issued by the each of the Subsidiary Borrowers and all shares of capital stock issued by DTV America Corporation and held by any of the Borrowers, 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.

1.93 "**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.

1.94 "**Voting Agreement**" means that certain Voting Agreement dated as of June 27, 2017, among HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), Great American Life Insurance Company, and Great American Insurance Company.

1.95 "**Voting Stock**" means, with respect to any Person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

2. Disbursement Mechanics; Conditions to Closing.

2.1 Disbursement. The entire principal amount of this Note was disbursed by the Lenders pursuant to the Existing Great American Notes and all such amounts shall be deemed as a disbursement hereunder (the "**Disbursement**"). The Borrowers shall not have the right to redraw any amount prepaid or repaid hereunder.

2.2 Conditions to Closing. Each Lender's obligation to execute and deliver this Note is subject to the condition precedent that the conditions set forth below and that each 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 by the Borrowers;

(b) a copy of the final form of the MSD Secured Note;

(c) a duly executed copy of the officer's certificate substantially in the form attached as Exhibit A hereto;

(d) the representations and warranties of the Borrowers contained in Section 7.3 herein, or which are contained in any Note Document furnished at any time under or in connection herewith, shall be true and correct in all respects on and as of the date hereof; and

(e) no Default shall exist as of the date hereof.

3. Interest.

3.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of this Note shall bear interest at the Interest Rate from the date hereof until the Obligations are paid in full, in cash, 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, in cash.

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 daily from and after the Closing Date, and shall not accrue on the day on which the Obligations are paid in full, in cash.

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 Lenders 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 this Note in whole or in part at a prepayment price equal to 100% of the principal amount of this Note, plus accrued and unpaid interest on the principal amount of this Note being prepaid to, but not including, the date of prepayment.

(c) The Borrowers may on any one or more occasions voluntarily prepay any Existing Note only if the Borrowers first offer in writing to the Lenders to prepay this Note and the Lenders (i) rejects in writing such prepayment in whole or in part, in which case, any rejected amount may be applied to the Existing Note or (ii) accepts in writing such prepayment, resulting in the payment in full of all Obligations under this Note, in which case any excess amount may be applied to the Existing Note.

(d) Any such prepayment or offer to prepay 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. <u>Payment Mechanics</u>.

5.1 <u>Manner of Payments</u>. 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 Lenders' 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 Lenders receive 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 <u>Application of Payments</u>. 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 <u>Business Day Convention</u>. 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 <u>Rescission of Payments</u>. 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 any 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, in cash, to the Lenders by of all of the outstanding Obligations of the Borrowers under the Note Documents, to be subrogated to the security interest that may then be held by the Lenders upon the Collateral securing or purporting to secure the Obligations. If subrogation is demanded by any Borrower, then, after discharge of this Note following payment in full, in cash, to the Lenders of all of the outstanding Obligations of the Borrowers under the Note Documents, the Lenders shall deliver to the Borrower making such demand (at the cost of such Borrower) an instrument satisfactory to the Lenders transferring, on a quitclaim basis without any recourse, representation, warranty or any other obligation whatsoever, whatever security interest the Lenders then may hold in the Collateral securing the Obligations.

(c) All rights and claims arising under this Section 5.5 shall be fully subordinated to the rights of the Lenders under this Note prior to the indefeasible payment in full, in cash, to Lenders of the principal amount of, and interest on, this Note and the payment in full, in cash, of all other outstanding Obligations of the Borrowers under the Note Documents. 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.

Each Borrower, as collateral security for the prompt and complete payment and performance when due of the Obligations, 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 first priory lien on and security interest in all of such Borrower's right, title and interest, whether now owned or hereafter acquired, in the Additional Collateral including but not limited to the Pledged Stock, provided that this Agreement shall not constitute a grant of a security interest in, and the term "Additional Collateral" shall not include: (A) any property to the extent that and for as long as a grant of a security interest in such property (i) is prohibited by any applicable law or, (ii) requires a filing with or consent from any entity or person pursuant to any applicable law that has not been made or obtained, (B) any lease, license or agreement to the extent a grant of a security interest in such lease, license or agreement, constitutes a breach or default under or results in the termination of, or requires any consent not obtained under such lease, license or agreement, except to the extent that such applicable provisions of any such lease, license or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, (C) any right, title or interest in any applications for the registration for any Trademarks filed in the United States Patent and Trademark Office pursuant to 15 U.S.C. §1051 Section 1(b), unless and until acceptable evidence of use of the mark in interstate commerce is submitted to the United States Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (15 U.S.C. 1051, et seq.) to the extent, if any, that, and during the period, if any, in which granting a security interest in such Trademark application prior to such filing would adversely affect the enforceability or validity of such Trademark application or of any registration that issues therefrom, (D) any leaseholds of real property, (E) any Excluded Accounts, (F) is in assets subject to a lien securing Capital Lease Obligations or Purchase Money Obligations, in each case as permitted under this Note, if the contract or other agreement in which such lien is granted prohibits the creation of any other lien on such assets, except to the extent that applicable provisions of any such contract or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, or (G) subject to Section 6.3(b) below, shares of capital stock of HC2 Broadcasting License (the foregoing clauses (A) through (G), collectively, shall be referred to hereafter as the "**Excluded Collateral**"); provided that automatically upon the payment in full or other irrevocable discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, all shares of capital stock of HC2 Broadcasting License shall cease to constitute Excluded Collateral and shall be pledged to the Lenders and constitute Additional Collateral for all purposes under this Note.

6.2 Filings. Each Borrower hereby authorizes each Lender to file, in any filing office as "Secured Party", without any further action by any Borrower, financing statements and amendments to financing statements describing the Collateral as such Lender determines in its sole discretion, including financing statements listing "All Assets, whether now owned or hereafter acquired," or words of similar effect, in the collateral description therein. Each Lender hereby authorizes the Borrowers, their counsel, Skadden, Arps, Slate, Meagher & Flom LLP, and/or their respective representatives or designees to file all UCC financing statement amendments attached hereto as Exhibit B.

6.3 Further Assurances; Expenses. Each Borrower shall:

(a) promptly, upon the reasonable request of the Lenders, 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 any Note Document or otherwise necessary or deemed by the Lenders reasonably desirable for the continued validity, enforceability, perfection and first 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;

(b) deliver or cause to be delivered to the Lenders from time to time such other documentation, instruments, consents, authorizations and approvals in form and substance reasonably satisfactory to the Lenders as such Lender shall reasonably deem necessary or advisable to perfect or maintain the validity, enforceability, perfection and first priority of the Liens on the Collateral pursuant to this Note, subject to Section 6.4. Upon payment in full, in cash, to the Lenders by the Borrowers of all of the outstanding Obligations of the Borrowers under the Note Documents, the Lenders shall take all action and execute and deliver all documents to immediately discharge and release all Liens granted under this Note; and

(c) promptly upon the payment in full or other discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, the Borrowers shall deliver (or shall cause HC2 Broadcasting License to deliver) the following to the Lenders, in each case in form and substance satisfactory to the Lenders: (i) a joinder agreement whereby HC2 Broadcasting License agrees to become party to this Note as a Borrower for all purposes hereunder, and (ii) to the extent certificated, the certificates representing 100% of the equity interests of HC2 Broadcasting License together with undated stock powers executed in blank, as applicable.

6.4 Agreement Re: Secured Notes and Intercreditor Agreement. This Note is subject to the Agreement Re: Secured Notes and the Intercreditor Agreement with respect to the priority of any security interests, application of payments or the exercise of any rights and remedies. In the event of any conflict between this Note, the Agreement Re: Secured Notes and the Intercreditor Agreement, the Intercreditor Agreement shall govern and be controlling, other than with respect to Section 6.1. Notwithstanding anything to the contrary set forth in this Note, delivery, possession or control of any Controlled Shared Collateral and entering into any control agreement in connection with any deposit, securities or other account constituting Collateral shall, in each case, be in accordance with, and subject to, the terms of the Intercreditor Agreement.

6.5 Perfection. Notwithstanding anything to the contrary set forth in this Note, no Borrower shall be required to take any action or complete any filings with respect to any asset constituting Excluded Perfection Assets, it being understood and agreed that, as of the date hereof, there are no assets constituting Excluded Perfection Assets.

6.6 [Reserved].

6.7 Termination. Upon payment in full of all Obligations (other than contingent Obligations not then due and payable), all Liens on and security interests in the Collateral created by the Security Documents to secure the Obligations shall be automatically released. In connection with any termination or release pursuant to this Section 6.7, the Lenders shall execute and deliver to any Borrower (or its designee or representative), at such Borrower's expense, all documents that such Borrower shall reasonably request to evidence such termination or release.

7. Covenants and Representations and Warranties.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that it shall, and shall cause its Subsidiaries to:

(a) (x) commencing with the fiscal quarter ended September 30, 2019 (if applicable), provide, or shall cause to be provided, to the Lenders, as soon as available, but in any event within seventy five (75) days after the end of each of the first three fiscal quarters of each fiscal year, and (y) commencing with the fiscal year ending December 31, 2019, one hundred twenty (120) days after the fiscal year, a consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter or year (as applicable), and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter or year (as applicable) 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 the Parent Borrower that such statements fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of the Parent Borrower and its consolidated Subsidiaries 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 Lenders, promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority affecting any Borrower, its Subsidiaries or any of their respective assets, in each case that has a claim for damages in excess of US $1,000,000 or that could otherwise result in a cost, expense or loss to such Borrower or its Subsidiaries in excess of US $1,000,000;

(c) provide to the Lenders immediate written notice of any Default, Event of Default, any event or circumstance that could reasonably be expected to have a Material Adverse Change or the occurrence of a Material Adverse Change;

(d) provide to the Lenders such other information respecting the business, operations, or property of the Borrowers and their Subsidiaries, 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 such Borrower and its Subsidiaries and maintain all related permits necessary for the ownership and operation of such Borrower's and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries 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 and its Subsidiaries 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 Lenders, and the Lenders shall be named as the 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 under each Note Document.

(i) comply with all applicable Laws in all material respects.

(j) pay all material obligations as they become due.

(k) permit the Lenders access to the Collateral and otherwise provide such information as the Lenders shall reasonably request.

(l) to the extent available, use the net proceeds of this Note to pay fees, costs and expenses related to the Note Documents, including interest and principal payments, to pay the cash consideration for acquisitions, including fees, costs and expenses related to such acquisitions, and for general corporate purposes not in contravention of any Law or any Note Document.

(m) promptly upon receipt thereof, provide copies to the Lenders of all material notices and documents delivered to or by any Borrower or its Subsidiaries pursuant to any of the Existing Notes, the MSD Secured Note or the Preferred Equity Agreement.

(n) preserve, renew and maintain in full force and effect its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents.

(o) (i) other than as permitted in accordance with Section 7.2(g), maintain, preserve, protect and defend all FCC Licenses in full force and effect in the ordinary course consistent with past practice and maintain and preserve all of its material tangible properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (ii) make all necessary repairs thereto and renewals and replacements thereof, except where the failure to do so could not reasonably be expected to result in a Material Adverse Change.

(p) conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction, and maintain policies and procedures designed to promote and achieve compliance with such laws.

(q) (i) comply with all FCC media ownership rules set forth in Note 2 to 47 C.F.R. § 73.3555 and (ii) furnish to the Lenders, upon any Lender's request, detailed calculations demonstrating the total asset value of each FCC licensed broadcast station to permit Lender to determine whether the aggregate of such Lender's equity and debt interests in each FCC licensed broadcast station exceeds 33% of the total asset value of such FCC licensed broadcast station.

(r) promptly (and in any event no later than sixty (60) days after the Closing Date, as may be extended by the Lenders in their sole discretion), deliver to the Lenders (i) executed account control agreement(s) in form and substance reasonably satisfactory to the Lenders with respect to any deposit or securities account of any of the Borrowers that is not an Excluded Account; (ii) executed landlord waivers in form and substance reasonably satisfactory to the Lenders with respect to each property identified in Schedule 7.1(r) (provided that, notwithstanding anything to the contrary, the Borrowers shall not be deemed to have breached their obligations under this clause (ii) to the extent that they are using their reasonable best efforts to obtain such executed landlord waivers); (iii) an amendment to the New York Channel Sharing Agreement in form and substance reasonably satisfactory to the Lenders and duly executed by each of the parties thereto pursuant to which HC2 Holdings, Inc. is removed as a party to the New York Channel Sharing Agreement; and (iv) insurance certificates evidencing compliance with Section 7.01(g).

7.2 Restrictions. Each Borrower covenants and agrees that it shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of the Lenders:

(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 (it being understood that (x) the accrual or accretion of interest or payments in kind (and not in cash) or (y) (y) any extension of scheduled date of maturity of any loan or debt (which is Permitted Indebtedness) pursuant to any instrument, agreement, document or letter, shall, in each case, not be deemed to be an incurrence of indebtedness).

(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 that (x) accrue or are paid in kind (and not in cash) or (y) are made by one Borrower that are substantially concurrently invested in the common equity capital of, or contributed to the equity capital of, any other Borrower.

(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); provided, that (i) to the extent that any such acquisition or investment is proposed to result in any Borrower owning a Subsidiary that is not party to this Note and the Note Documents, within five (5) Business Days of such acquisition or investment, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral and (ii) no joint venture may be entered into in connection with any acquisition or investment otherwise permitted hereunder.

(f) permit or cause the sale of any assets of such Borrower or its Subsidiaries except (i) as permitted by Section 7.2(g) with respect to silent licenses or construction permits or (ii) for sales of any such assets not constituting Collateral individually or in the aggregate with a fair market value not to exceed US $2,500,000 during the term of this Note.

(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 Lenders 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 in the ordinary course of business and consistent with past practice any FCC License that is either a silent license or a construction permit and which in the good faith determination of the Borrowers either (x) has a nominal value (taking into account the intended use of such License to any Borrower) or (y) is duplicative with other FCC Licenses owned by the Borrowers; or (iv) exchange an FCC License that is a silent license or a construction permit and any assets related to such FCC License for assets in an amount not less than the fair market value of the FCC License and related assets being exchanged, in each case in the ordinary course of business and consistent with past practice and subject to an aggregate cap of US $5,000,000 in fair market value of all such exchanged FCC Licenses (together with the fair market value of any assets related to such FCC Licenses), in the case of clause (iii) or (iv) if such transaction exceeds US $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; (2) be a party to any merger or consolidation; or (3) sell, convey, transfer or otherwise dispose of all or substantially all of its assets (other than a transfer or disposition to another Borrower or to an entity that substantially concurrently with such transfer or disposition will become a Borrower and a party to the Note Documents and will grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral).

(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: (i) any sale or disposition of silent licenses and/or construction permits permitted by Section 7.2(f) that are 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 (as determined by the board of directors of the Parent Borrower) and in connection therewith such Borrower provides written notice to the Lenders at least three (3) Business Days prior to the consummation of such transaction (which such notice shall include all material terms and conditions of such transaction), (ii) any other transaction or series of transactions approved by Lenders, (iii) the agreements set forth in Schedule 7.2(i) (to the extent performed in accordance with past practice), and (iv) reimbursement of expenses in the ordinary course of business, including reimbursement of expenses associated with employee-benefit plans, travel expenses incurred on a shared corporate card programs, shared facility costs, overhead expenses associated with shared office space and financial systems resources, and professional service fees; provided, however, that any such reimbursements permitted under this clause (iv) shall not exceed US $3,000,000 in the aggregate in any fiscal year.

(j) directly or indirectly form a Subsidiary unless within five (5) Business Days of such formation, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral.

(k) amend, restate, supplement or otherwise modify the Preferred Equity Agreement, the Investor Rights Agreement, any of the Proxies, the Voting Agreement, any Existing Note, any Channel Sharing Agreement (other than as contemplated by Section 7.1(r)), or the King Forward Pledge Agreement in any respect.

(l) directly or indirectly use the net proceeds of this Note for any purpose which could breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction.

(m) take any action, or knowingly omit to take any action, which action or omission could reasonably be expected to have the result of materially impairing the perfection or priority of the security interest with respect to the Collateral for the benefit of the Lenders.

(n) incur, or permit any ERISA Affiliate to incur, any liability, actual or contingent, with respect to a Pension Plan.

(o) Subject to Section 7.1(r), permit any Affiliate of any Borrower that is not a Borrower to be a party to any Channel Sharing Agreement.

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 with respect to itself and its Subsidiaries as applicable, until all Obligations under this Note is discharged in full, in cash:

(a) each Borrower and its Subsidiaries 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 or Subsidiary has material operations or assets.

(b) each Borrower has full power and authority to execute and deliver this Note and the other Note Documents and to incur and perform the obligations provided for herein and therein, respectively, 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 any other Note Documents, and each Borrower and its Subsidiaries is in compliance with all Laws and regulatory requirements to which it is subject.

(c) this Note and the other Note Documents constitute the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(d) except as disclosed to the Lenders in writing and acknowledged by the Lenders 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 or its Subsidiaries 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 its Subsidiaries and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or its Subsidiaries or affecting its or its Subsidiaries' property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note and any other Note Document.

(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 and its Subsidiaries have been paid or are being contested in good faith by appropriate proceedings and such Borrower and its Subsidiaries have filed all tax returns which it is required to file.

(g) neither any Borrower nor any Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(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 and its Subsidiaries is as set forth on Schedule 7.3(i), which Schedule 7.3(i) shall also include the number of shares of common stock of each Borrower and its Subsidiaries outstanding as of the date hereof, (ii) 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 any Borrower except as set forth on Schedule 7.3(i), (iii) except as set forth on Schedule 7.3(i), 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, (iv) all of the outstanding shares of capital stock of each Borrower and its Subsidiaries 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, (v) except as set forth on Schedule 7.3(i), there are no stockholders agreements, voting agreements or other similar agreements with respect to any Borrower's capital stock to which such Borrower is a party or, to the knowledge of such Borrower, between or among any of such Borrowers' stockholders, (vi) no Person has any right to cause any Borrower to effect the registration under the Securities Act of any securities of such Borrower or any of its Subsidiaries and (vii) no Borrower has any Subsidiaries.

(j) the property of each Borrower (and each Subsidiary of each Borrower) is subject to no Liens, other than Permitted Liens.

(k) the property of each Borrower (and each Subsidiary of each Borrower) is insured with financially sound and reputable insurance companies in such amounts as are customarily carried by companies engaged in similar businesses and owning similar properties.

(l) ERISA Compliance.

(i) each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the IRS to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the IRS. To the knowledge of each Borrower, nothing has occurred that would prevent or cause the loss of such tax qualified status. No Plan is maintained outside the United States.

(ii) there are no pending or, to the best knowledge of the Borrowers, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to result in a Material Adverse Change. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Change.

(iii) neither the Borrowers nor any ERISA Affiliate currently maintains or has ever maintained or been required to contribute to a Pension Plan. None of the Plans is a Multiemployer Plan and neither the Borrowers nor any ERISA Affiliate are required to contribute to, or have ever been required to contribute to, a Multiemployer Plan. Neither the Borrowers nor any ERISA Affiliate has incurred any liability relating to Title IV of ERISA, and no fact or event exists which would give rise to such liability.

(m) the Parent Borrower has no Subsidiaries other than those specifically disclosed in <u>Schedule 7.3(m)</u> (which schedule may be updated upon acquisition or formation of a Subsidiary permitted under this Note), and all of the outstanding equity interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Parent Borrower or a Subsidiary of the Parent Borrower in the amounts specified on <u>Schedule 7.3(m)</u> free and clear of all Liens, other than Permitted Liens. No Borrower has any equity investments in any other Person other than those specifically disclosed in <u>Schedule 7.3(m)</u> (as may be updated from time to time). All of the outstanding equity interests in the Parent Borrower have been validly issued and are fully paid and nonassessable.

(n) no Borrower nor any of its Subsidiaries is engaged, and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States), or extending credit for the purpose of purchasing or carrying margin stock.

(o) no Borrower nor any of its Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(p) no report, financial statement, certificate or other information furnished by or on behalf of any Borrower or any of its Subsidiaries to the Lenders in connection with the transactions contemplated hereby and under the other Note Documents (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(q) each Borrower and its Subsidiaries own, or possess the right to use, all of the Trademarks, service marks, trade names, Copyrights, Patents, patent rights, licenses and other intellectual property rights that are reasonably expected to be necessary for the operation of their respective businesses, as currently conducted, without conflict with the rights of any other Person, except where the failure to own, license or have the right to use would not, individually or in the aggregate, result in a Material Adverse Change. Except as specifically disclosed in Schedule 7.3(d), no claim or litigation regarding any of the foregoing is pending or, to the knowledge of any Borrower, threatened against any Borrower or Subsidiary, which, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

(r) each Borrower is, both individually and together with its Subsidiaries on a consolidated basis, Solvent.

(s) neither any Borrower, nor any of its Subsidiaries, nor, to the knowledge of any Borrower, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is majority owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) organized or resident in a Designated Jurisdiction.

(t) each Borrower and its Subsidiaries are in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery

Act 2010, and other applicable similar anti-corruption legislation in any other applicable jurisdiction.

8. Events of Default. Each Borrower covenants and agrees that 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, or any fees, costs or expenses with respect to, the Loan and the Obligations when due.

8.2 Breach of Covenants. Except (i) for matters otherwise addressed in this Section 8, (ii) any breach of Section 7.1(l), (n) or (p), each of which shall have no grace period and (iii) any breach of Section 7.1(c) or 7.2, each of which shall have a grace period of seven (7) days, any Borrower fails to observe or perform any covenant, condition or agreement contained in this Note or any other Note Document and such failure continues for fifteen (15) days.

8.3 Bankruptcy. Any Borrower or any of its Subsidiaries files a petition in bankruptcy or under any similar insolvency Law, makes an assignment for the benefit of creditors, if any petition in bankruptcy or under any similar insolvency Law is filed against any Borrower or any of its Subsidiaries and such petition is not dismissed within thirty (30) days after the filing thereof, or any Borrower or any of its Subsidiaries 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 or any of its Subsidiaries 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.

8.5 Breach of Representations and Warranties. Any representation or warranty made by any Borrower under this Note, any Note Document or any statement of fact or representation made by any Borrower in any report, financial statement, certificate or other document furnished to the Lenders pursuant to this Note or any Note Document, shall prove to have been false or misleading in any material respect when made or delivered.

8.6 Change in Control. A Change in Control shall occur.

8.7 Material Adverse Change. Any Material Adverse Change shall occur.

8.8 Note Documents. Any provision of any Note Document at any time after its execution and delivery and for any reason other than (i) as permitted hereunder or thereunder, or (ii) in connection with the satisfaction in full of all of the Obligations (other than contingent Obligations not then due and payable), ceases to be in full force and effect; or any Borrower or any other person contests in any manner the validity and enforceability of any provision of any Note Document; or any Borrower denies that it has any or further liability or obligation under any the Note Document, or purports to revoke, terminate or rescind any provisions of any Note Document.

8.9 Cross Default. Any Borrower or any Subsidiary (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of (A) the MSD Secured Note; (B) any indebtedness of any Borrower or any Subsidiary, individually or in the aggregate, exceeding US $1,000,000, other than under the Existing Notes or the MSD Secured Note; (C) any indebtedness under the Existing Notes and such payment default causes or permits the applicable lender under any such Existing Note to exercise any enforcement action or enact any remedy under the applicable Existing Note; or (D) any indebtedness under the Revolving Credit Agreement (the indebtedness under this clause (i) is referred to herein collectively as the "**Material Indebtedness**"), or (ii) fails to observe or perform any other agreement or condition relating to such Material Indebtedness, and such default or other event causes or permits a holder or holders of such Material Indebtedness to cause (after any applicable grace period), with the giving of notice if required, such Material Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such indebtedness to be made, prior to its stated maturity.

8.10 Preferred Equity Agreement. Any Borrower or any of its Subsidiaries shall default in the payment or performance of any obligation under the Preferred Equity Agreement, or any document related thereof, resulting in a Trigger Event as defined thereunder as of the date hereof.

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 Lenders 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 and all other Obligations shall become immediately due and payable without any notice, declaration or other act on the part of the Lenders. 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 Lenders on which the Borrowers are liable.

9.2 Other Rights. In addition to all other rights, options and remedies granted to the Lenders under this Note and any other Note Document (each of which is also then exercisable by the Lenders), the Lenders may, upon the occurrence of an Event of Default, exercise any other rights granted to the Lenders 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 Lenders).

(b) by the Lenders' 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 Lenders at any place designated by the Lenders.

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 the Lenders' exercise of their rights and remedies with respect to the Collateral after the occurrence of an Event of Default hereunder.

9.4 No Obligation. The Lenders 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 any of the Lenders sells any of the Collateral upon credit, the Borrowers will only be credited with payments actually made by the purchaser thereof that are received by such Lender. The Lenders 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 Lenders are 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 the Lenders to collect such deficiency.

9.6 Order; Remedies Cumulative. The Lenders shall have the right to proceed against all or any portion of the Collateral in any order. All rights and remedies granted the Lenders 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 Lenders may proceed with any number of remedies at the same time until all Obligations under the Note Documents are satisfied in full, in cash.

9.7 No Duties. The powers conferred on the Lenders 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 Lenders 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, solely to the extent required under applicable Law, 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 Lenders 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 Lenders and their respective Affiliates, and each of their respective direct and indirect owners, 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, any other Note Document or the Loan, the Obligations, the use of proceeds of this 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 the Obligations under the Note Documents and shall not be exclusive of any other right which the Lenders 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 Broadcasting Intermediate Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
HC2 Broadcasting Inc.
HC2 Network Inc.

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

(ii) If to the 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

(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 Lenders 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 (except as set forth in Section 11.16). 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 Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Lenders, including legal fees, in connection with (a) preparation, negotiation, execution, delivery and administration of the Note Documents, (b) the transactions contemplated by the Note Documents, including, but not limited to amendments, waivers or other modification to any Note Document, whether or not such document is executed or the proposed transactions hereunder or thereunder are consummated, (c) monitoring the Lenders’ rights with respect to the Obligations under this Note, (d) any 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, and (e) to the extent not included in the foregoing, reasonable attorneys’ fees, costs and expenses incurred in connection with a workout or restructuring and which shall not include, without the consent of the Parent Borrower, the fees and expenses of a third party financial advisor.

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 Lenders. Prior to the occurrence of an Event of Default and except for an assignment or transfer of this Note to one of its controlled Affiliates, the Lenders may not otherwise assign or transfer this Note or any of its rights hereunder without the prior written consent of the Parent Borrower. Following the occurrence and during the continuance of any Event of Default, the Lenders may freely assign or transfer this Note and/or any of its rights hereunder and under any of the Note Documents. This Note shall inure to the benefit of, and be binding upon, the Borrowers’ and the Lenders’ 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 the Lenders, 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.

11.16 Amendment and Restatement. This Notes amends and restates each of the following notes in its entirety: (i) Secured Note, dated August 7, 2018, issued by certain Borrowers in favor of the Lenders, for an aggregate principal amount of US $35,000,000 and (ii) Secured Note, dated January 22, 2019, issued by certain Borrowers in favor of the Lenders, for an aggregate principal amount of US $7,50,000 (collectively, the "**Existing Great American Notes**"). On and from the

Closing Date, all obligations of the Borrowers to the Lenders under the Existing Great American Notes shall be governed by and deemed to be outstanding under this Note, and the terms of the Existing Great American Notes shall have no further effect, except that the grant of security interests and Liens under and pursuant to the Existing Great American Notes shall continue unaltered to secure, support and otherwise benefit the obligations of the Borrowers under the Existing Great American Notes and this Note and the foregoing shall continue in full force and effect in accordance with its terms except as expressly amended thereby or hereby, and the parties hereto ratify and confirm the terms thereof as being in full force and effect and unaltered by this Note. It is hereby accepted and agreed that this Note does not constitute a novation, satisfaction, payment or reborrowing of any obligation under the Existing Great American Notes.

[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

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,
as the Intermediate Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 NETWORK INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,
as a Lender

By: _/s/ Mark F. Muething_
Name: Mark F. Muething
Title: President

GREAT AMERICAN INSURANCE COMPANY,
as a Lender

By: __
Name: Stephen C. Beraha
Title: Assistant Vice President

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,
as a Lender

By: __
Name: Mark F. Muething
Title: President

GREAT AMERICAN INSURANCE COMPANY,
as a Lender

By: */s/ Stephen C. Bernha*
Name: Stephen C. Beraha
Title: Assistant Vice President

ANNEX I

SCHEDULE OF LENDERS

Lenders	Jurisdiction of Organization	Principal Amount
Great American Life Insurance Company	Ohio	US $25,500,000
Great American Insurance Company	Ohio	US $17,000,000
		Total: US $42,500,000

SCHEDULE 7.1(r)

LIST OF PROPERTIES FOR LANDLORD WAIVER

Property Description	**Zip Code/ Postal Code**	**Legal Entity**	**Vendor/Tenant Name**
450 PARK AVE, 29TH FL, New York, NY	10022	HC2 Broadcasting Holdings Inc.	450 Property Owner (US), LLC
Building - 10893 NW 17TH ST, UNIT 113, Doral, FL	33172	HC2 Broadcasting Holdings Inc.	Agrosilca 2018 Investment LLC
Building - 2945 SENIOR RD, Missouri City, TX	77459	HC2 Station Group, Inc.	American Tower, L.P.
Building - 1204 W BELT LINE RD, Cedar Hill, TX	75104	HC2 Station Group, Inc.	Richland Dallas Tower, LLC
Media Gateway, Little Rock, AR	72211	HC2 Station Group, Inc. and DTV American Corporation	Media Gateway
Empire State Building Leased Facility WEDW Channel Share	10118	HC2 Station Group, Inc.	Connecticut Public Broadcasting

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.

(2) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Bella Spectra Corporation.

(3) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Licensing, L.L.C.

(4) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Broadcasting Corporation.

(5) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and King Forward, 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.

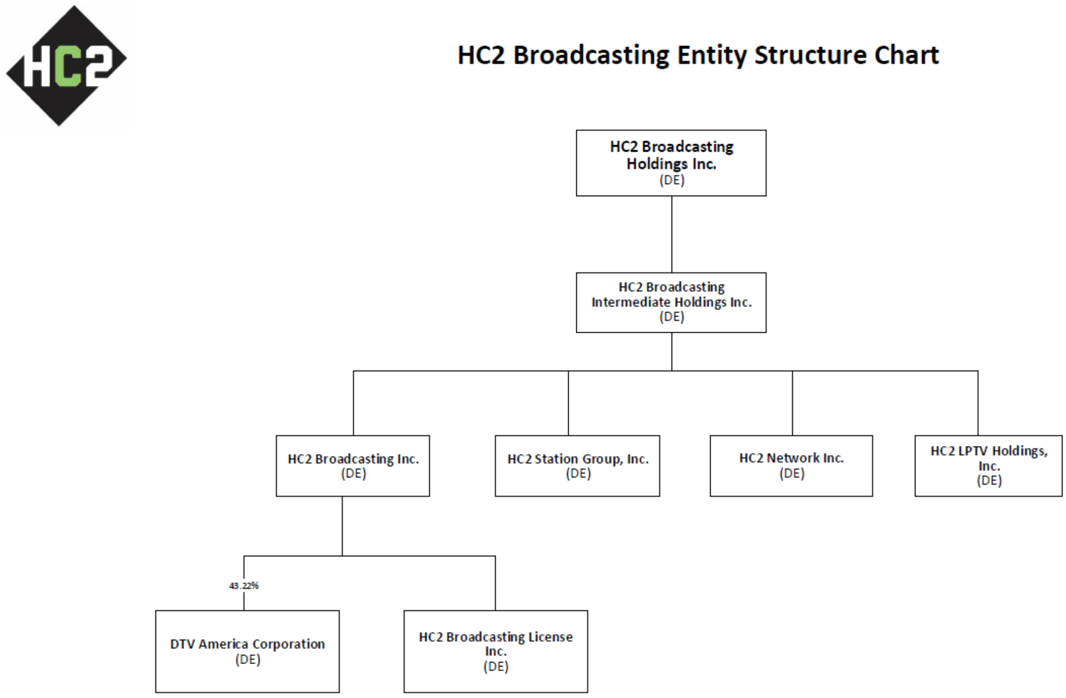
SCHEDULE 7.3(f)

TAXES

None.

SCHEDULE 7.3(h)

ORGANIZATIONAL CHART



SCHEDULE 7.3(i)
CAPITALIZATION,
PREEMPTIVE RIGHTS,
STOCK OPTIONS AND WARRANTS

A. CAPITALIZATION

HC2 Broadcasting Intermediate Holdings Inc.

Common Stock

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

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

HC2 Broadcasting 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 %**

HC2 Network 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 %**

<u>HC2 Station Group, Inc.</u>

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 %**

<u>DTV America Corporation</u>

Common Stock

Total Authorized: 60,000,00 shares of Common Stock, $.01 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Inc.	13,200,158	43.22 %
Continental General Insurance Company	2,089,574	6.84 %
Others	15,253,049	49.94 %
Total Issued	30,542,781	**100.00 %**

<u>HC2 Broadcasting License Inc.</u>

Common Stock

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

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

B. PREEMPTIVE RIGHTS

1) Continental Letter Agreement
2) Securities Purchase Agreement, dated as of July 15, 2015, between DTV America Corporation, a Delaware corporation and each purchase identified on signature pages thereto.

C. STOCK OPTIONS AND WARRANTS

[see attached]

EXHIBIT A

Officer's Certificate

(see attached)

OFFICER'S CERTIFICATE

October 24, 2019

Reference is made to (i) that certain Amended and Restated Secured Note, dated as of the date hereof (the "Great American Note"), among HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower"), the other Borrowers party thereto, and Great American Life Insurance Company and Great American Insurance Company, each as a Lender, and (ii) that certain Secured Note dated as of the date hereof (the "MSD Note" and, together with the Great American Note, the "Secured Notes" and each, a "Secured Note"), among the Parent Borrower, each other Borrower party thereto, and MSD PCOF Partners XVIII, LLC, as Lender.

The undersigned officer of the Parent Borrower, in his capacity as such (and not in such officer's individual capacity), does hereby certify as of the date hereof that:

1. The representations and warranties of each Borrower contained in Section 7.3 of each Secured Note, or which are contained in the applicable Note Document furnished on the date hereof, are true and correct in all material respects (unless any such representation or warranty is subject to a materiality qualifier, in which case such representation or warranty is true and correct in all respects) on and as of the date of the Disbursement.

2. No consent, license, or approval is required in connection with the execution, delivery, or performance by any Borrower of any Secured Note or any other Note Document.

3. No Default exists, or will result from the Disbursement on the date hereof or from the application of the proceeds thereof.

Capitalized terms used but not defined herein have the meanings given to such terms in the applicable Secured Note.

* * *

IN WITNESS WHEREOF, the undersigned has hereunto signed this Officer's Certificate as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.

By: ___________________________________
Name: Ivan P. Minkov
Title: Chief Financial Officer

EXHIBIT B

UCC Financing Statement Amendment

(see attached)

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2019 3725970 05/30/2019

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 BROADCASTING HOLDINGS INC. F#689294 A#980840

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2019 3726085 05/30/2019

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record

AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 BROADCASTING HOLDINGS INC.
F#689297
A#980842

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Intermediate Holdings Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022		COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE		COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Life Insurance Company					
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202		COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710799 A#980836

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) UCC Filing Department	800-828-0938
B. E-MAIL CONTACT AT FILER (optional) alb.UCC.filings@cogencyglobal.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) COGENCY GLOBAL INC. 194 Washington Avenue Suite 310 Albany, NY 12210	

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Intermediate Holdings Inc.				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State
F#710800
A#980837

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11)

International Association of Commercial Administrators (IACA)

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Network Inc.				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710801 A#980838

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) UCC Filing Department	800-828-0938
B. E-MAIL CONTACT AT FILER (optional) alb.UCC.filings@cogencyglobal.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) COGENCY GLOBAL INC. 194 Washington Avenue Suite 310 Albany, NY 12210	

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Network Inc.				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Life Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710802 A#980839

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11) International Association of Commercial Administrators (IACA)

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
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2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

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6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State

F#710809
A#980848

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11) International Association of Commercial Administrators (IACA)

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Life Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

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6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710810 A#980849

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5438193 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 Station Group, Inc. F#710807 A#980846

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5438086 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes: This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to: ☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c ☐ ADD name: Complete item 7a or 7b, and item 7c ☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR 6b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR 7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR 9b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 STATION GROUP, INC.
F#711203
A#981517

FILING OFFICE COPY — UCC FINANCING STATEMENT AMENDMENT (Form UCC3) (Rev. 04/20/11) International Association of Commercial Administrators (IACA)

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5437823 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes: This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to: ☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c ☐ ADD name: Complete item 7a or 7b, and item 7c ☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR 6b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR 7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR 9b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 LPTV Holdings, Inc. F#711204 A#981518

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5437971 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

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5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes: This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to: ☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c ☐ ADD name: Complete item 7a or 7b, and item 7c ☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)
6a. ORGANIZATION'S NAME

OR 6b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)
7a. ORGANIZATION'S NAME

OR 7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR 9b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 LPTV Holdings, Inc.
F#711206
A#981520

Signature Page to Officer's Certificate

Exhibit 4.14

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

HC2 Holdings, Inc. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock, par value $0.001 per share.

The following description of our common stock is based on our certificate of incorporation, bylaws and applicable law. The summary presented below is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our certificate of incorporation, bylaws, applicable Certificates of Designation and the Convertible Indenture (as defined below), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.14 is a part (the "2019 Annual Report"). Capitalized terms used but not otherwise defined herein have the meanings set forth in the 2019 Annual Report.

General

Our authorized capital stock consists of 80,000,000 shares of common stock, $0.001 par value; and 20,000,000 shares of preferred stock, $0.001 par value.

Common Stock

Voting

The holders of the common stock are entitled to one vote for each outstanding share of common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Stockholders are not entitled to vote cumulatively for the election of directors.

Dividend Rights

Subject to the dividend rights of the holders of any outstanding series of preferred stock, holders of the common stock are entitled to receive ratably such dividends and other distributions of cash or any other right or property as may be declared by the board of directors out of the assets or funds legally available for such dividends or distributions.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of the common stock would be entitled to share ratably in the assets that are legally available for distribution to stockholders after payment of liabilities and subject to the prior rights of any holders of preferred stock then outstanding. If the Company has any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences, such as those discussed below with respect to the preferred stock. In either such case, the Company must pay the applicable distribution to the holders of the preferred stock before they may pay distributions to the holders of the common stock.

Conversion, Redemption and Preemptive Rights

Holders of the common stock have no conversion, redemption, preemptive, subscription or similar rights. There are no sinking fund provisions applicable to our common stock.

Transfer Agent

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

Preferred Stock

Under our certificate of incorporation, the board of directors of the Company is authorized, subject to limitations prescribed by law and any consent rights granted to holders of outstanding shares of preferred stock, to issue up to 20,000,000 shares of preferred stock, par value $0.001 per share, in one or more classes or series. The board of directors has discretion to determine the rights, preferences, privileges and restrictions of, including, without limitation, dividend rights, conversion rights, redemption privileges and liquidation preferences of, and to fix the number of shares of, each series of the preferred stock. The terms and conditions of any issued preferred stock could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of the common stock or otherwise be in their best interest.

Of the 20,000,000 shares of preferred stock authorized for issuance under our charter, 30,000 shares are classified as Series A Convertible Participating Preferred Stock (the “Series A Preferred Stock”), 14,000 shares are classified as Series A-2 Convertible Participating Preferred Stock (the “Series A-2 Preferred Stock” and, together with the Series A Preferred Stock, the “Preferred Stock”), and 11,000 shares are classified as Series A-1 Convertible Participating Preferred Stock (the “Series A-1 Preferred Stock”).

As of December 31, 2019, there are issued and outstanding 12,500 shares of Series A Preferred Stock (inclusive of 6,125 shares of Series A Preferred Stock held by our Insurance Company which are eliminated in consolidation) and 14,000 shares of Series A-2 Preferred stock (inclusive of 10,000 shares of Series A-2 Preferred Stock held by our Insurance Company which are eliminated in consolidation). As a result of the conversion of all issued and outstanding shares of Series A-1 Preferred Stock into our common stock in 2017, there are currently no shares of Series A-1 Preferred stock issued and outstanding.

Series A Preferred Stock and Series A-2 Preferred Stock

The Company originally designated the Series A Preferred Stock pursuant to a Certificate of Designation of Series A Convertible Participating Preferred Stock adopted on May 29, 2014 (the “Series A Certificate”). On September 22, 2014, the Company amended and restated the

Series A Certificate. In connection with the issuance of the Series A-2 Preferred Stock on January 5, 2015, the Company adopted the Certificate of Designation of Series A-2 Convertible Participating Preferred Stock (the "Series A-2 Certificate") and also amended and restated the Series A Certificate. On August 10, 2015 the Company adopted certain Certificates of Correction of the Certificates of Amendment to the Certificates of Designation of the Series A Certificate and the Series A-2 Certificate. The Series A Certificate and the Series A-2 Certificate together, as amended, are referred to as the "Certificates of Designation."

The following summary of the terms of the Preferred Stock is qualified in its entirety by the complete terms of the Certificates of Designation.

Dividends. The Preferred Stock will accrue a cumulative quarterly cash dividend at an annualized rate of 7.50%. The accrued value of the Preferred Stock will accrete quarterly at an annualized rate of 4.00% that will be reduced to 2.00% or 0.00% if the Company achieves specified rates of growth measured by increases in its net asset value; provided, that the accreting dividend rate will be 7.25% in the event that (i) the daily volume weighted average price ("VWAP") of the Common Stock is less than a certain threshold amount, (ii) the Common Stock is not registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, (iii) following May 29, 2015, the Common Stock is not listed on certain national securities exchanges or (iv) the Company is delinquent in the payment of any cash dividends. The Preferred Stock is also entitled to participate in cash and in-kind distributions to holders of shares of Common Stock on an as-converted basis.

Optional Conversion. Each share of Preferred Stock may be converted by the holder into Common Stock at any time based on the then applicable conversion price. Pursuant to the Series A-2 Certificate, each share of Series A-2 Preferred Stock is initially convertible at a conversion price of $8.25. Pursuant to the Series A Certificate, each share of Series A Preferred Stock is initially convertible at a conversion price of $4.25. Such conversion prices are subject to adjustment for dividends, certain distributions, stock splits, combinations, reclassifications, reorganizations, mergers, recapitalizations and similar events, as well as in connection with issuances of equity or equity-linked or other comparable securities by the Company at a price per share (or with a conversion or exercise price or effective issue price) that is below the applicable conversion price (which adjustment shall be made on a weighted average basis).

Redemption by the Holders / Automatic Conversion. On May 29, 2021, holders of the Preferred Stock shall be entitled to cause the Company to redeem the Preferred Stock at the accrued value per share plus accrued but unpaid dividends (to the extent not included in the accrued value of Preferred Stock). Each share of Preferred Stock that is not so redeemed will be automatically converted into shares of Common Stock at the conversion price then in effect. Upon a change of control (as defined in the Certificates of Designation) holders of the Preferred Stock shall be entitled to cause the Company to redeem their Preferred Stock at a price per share of Preferred Stock equal to the greater of (i) the accrued value of the Preferred Stock, which amount would be multiplied by 150% in the event of a change of control occurring on or prior to May 29, 2017, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into Common Stock immediately prior to the change of control.

Redemption by the Company. At any time after May 29, 2017, the Company may redeem the Preferred Stock, in whole but not in part, at a price per share generally equal to 150% of the accrued value per share, plus accrued but unpaid dividends (to the extent not included in the accrued value of Preferred Stock), subject to the holder's right to convert prior to such redemption.

Forced Conversion. After May 29, 2017, the Company may force conversion of the Preferred Stock into Common Stock if the Common Stock's thirty-day VWAP exceeds 150% of the then-applicable Conversion Price and the Common Stock's daily VWAP exceeds 150% of the then applicable Conversion Price for at least twenty trading days out of the thirty trading day period used to calculate the thirty-day VWAP. In the event of a forced conversion, the holders of Preferred Stock will have the ability to elect cash settlement in lieu of conversion if certain market liquidity thresholds for the Common Stock are not achieved.

Liquidation Preference. The Series A Preferred Stock ranks at parity with the Series A-2 Preferred Stock. In the event of any liquidation, dissolution or winding up of the Company (any such event, a "Liquidation Event"), the holders of Preferred Stock will be entitled to receive per share the greater of (i) the accrued value of the Preferred Stock, which amount would be multiplied by 150% in the event of a Liquidation Event occurring on or prior to May 29, 2017, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into Common Stock immediately prior to such occurrence. The Preferred Stock will rank junior to any existing or future indebtedness but senior to the Common Stock and any future equity securities other than any future senior or pari passu preferred stock issued in compliance with the Certificates of Designation.

Voting Rights. Except as required by applicable law, the holders of the shares of each series of Preferred Stock will be entitled to vote on an as-converted basis with the holders of the other series of Preferred Stock (on an as-converted basis) and holders of the Company's Common Stock on all matters submitted to a vote of the holders of Common Stock. Certain series of Preferred Stock will be entitled to vote with the holders of certain other series of Preferred Stock on certain matters, and separately as a class on certain limited matters. Subject to maintenance of certain ownership thresholds by the initial purchasers of the Series A Preferred Stock (the "Series A Preferred Purchasers"), the holders of the shares of Preferred Stock will also have the right to vote shares of Preferred Stock as a separate class for at least one director, as discussed below under "- Board Rights."

Consent Rights. For so long as any of the Preferred Stock is outstanding, consent of the holders of shares representing at least 75% of certain of the Preferred Stock then outstanding is required for certain material actions.

Board Rights. For so long as the Series A Purchasers own at least a 15% interest in the Company on an as-converted basis and at least 80% of the shares of Preferred Stock issued to the

Series A Preferred Purchasers on an as-converted basis, the Series A Preferred Purchasers will have the right to appoint and elect (voting as a separate class) a percentage of the board of directors of the Company that is no more than 5% less than the Series A Preferred Purchasers' as-converted equity percentage of the Common Stock (but no fewer than one director). One such elected director (as designated by the holders of shares representing at least 75% of the Preferred Stock then outstanding) shall be entitled to be a member of each committee of the board of directors of the Company, provided, that such director membership on any such committee will be dependent upon such director meeting the qualification, and if applicable, independence criteria deemed necessary to so comply in accordance with any listing requirements of the exchanges on which the Company's capital stock is then listed. For so long as the Director Election Condition is satisfied, if a specified breach event shall occur with respect to the Preferred Stock (defined for such purposes to include the failure to timely pay required dividends for two or more consecutive quarters or the occurrence and continuation of certain breaches of covenants contained in the Certificates of Designation), the holders of the Preferred Stock shall be entitled to appoint the number of additional directors to the board of directors of the Company that will cause a majority of the board of directors to be comprised of directors appointed by the holders of the Preferred Stock and independent directors until the cure of such specified breach event.

Participation Rights. Pursuant to the securities purchase agreements entered into with the initial purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock, subject to meeting certain ownership thresholds, certain initial purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock will be entitled to participate, on a pro rata basis in accordance with their ownership percentage, determined on an as-converted basis, in issuances of equity and equity linked securities by the Company. In addition, subject to meeting certain ownership thresholds, certain initial purchasers of the Series A Preferred Stock and the Series A-2 Preferred Stock will be entitled to participate in issuances of preferred securities and in debt transactions of the Company.

Dividends

We do not pay regular dividends to holders of our common stock. However, we have paid several special cash dividends to holders of our common stock. We have not paid any special dividends to holders of our common stock since August 27, 2013.

Subject to the dividend rights of the holders of any outstanding series of preferred stock, holders of the Common Stock are entitled to receive ratably such dividends and other distributions of cash or any other right or property as may be declared by the board of directors out of the assets or funds legally available for such dividends or distributions. Any future determinations to pay cash dividends on our common stock will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, cash flows and other factors that the board of directors deem relevant.

Convertible Notes

On November 20, 2018, the Company issued $55 million aggregate principal amount of 7.5% convertible senior notes due 2022 (the “Convertible Notes”). The Convertible Notes are convertible into shares of the Company’s common stock based on an initial conversion rate of 228.3105 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $4.38 per share of the Company’s common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of $1,000 or an integral multiple of $1,000 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the Convertible Indenture) or the Company’s delivery of a notice of redemption for the Convertible Notes, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption. However, to comply with certain listing standards of The New York Stock Exchange, the Company will settle in cash its obligation to increase the conversion rate in connection with a Make-Whole Fundamental Change or redemption until it has obtained the requisite stockholder approval.

Anti-Takeover Effects of Delaware Law

Our certificate of incorporation expressly provides that the Company shall not be governed by Section 203 of the DGCL, which would have otherwise imposed additional requirements regarding mergers and other business combinations.

Execution Version

NINTH AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES

THIS NINTH AMENDED AND RESTATED AGREEMENT RE: SECURED NOTES (this "Agreement") is made and entered into as of October 24, 2019, among HC2 Station Group, Inc., a Delaware corporation ("HC2 Station Group"), HC2 LPTV Holdings, Inc., a Delaware corporation ("HC2 LPTV"), HC2 Network Inc., a Delaware corporation ("HC2 Network") and HC2 Broadcasting Inc., a Delaware corporation ("HC2 Broadcasting", and together with HC2 Station Group, HC2 LPTV and HC2 Network, the "Subsidiary Borrowers" and each a "Subsidiary Borrower"), HC2 Broadcasting Intermediate Holdings Inc., a Delaware corporation (the "Intermediate Parent"), HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower" and, together with the Intermediate Parent and 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, "Great American"), and MSD PCOF Partners XVIII, LLC ("MSD", and together with Great American, 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, certain of the Borrowers have entered into the Existing Secured Notes (as defined on Schedule I-A hereto);

WHEREAS, certain of the Borrowers have previously entered into the Repaid Secured Notes (as defined on Schedule I-B hereto), each of which has been paid in full and terminated as of the date hereof;

WHEREAS, HC2 Station Group, HC2 LPTV, Parent Borrower and Great American (among others) previously entered into that certain Agreement Re: Secured Notes, dated as of January 22, 2019 (as amended by the Original Omnibus Amendment dated as of May 3, 2019, the Second Omnibus Amendment dated May 31, 2019, the Third Omnibus Amendment dated June 28, 2019, the Fourth Omnibus Amendment dated July 31, 2019, the Fifth Omnibus Amendment dated August 2, 2019, the Sixth Omnibus Amendment dated August 30, 2019, the Seventh Omnibus Amendment dated September 10, 2019 and the Eighth Omnibus Amendment dated September 26, 2019, collectively, the "Agreement Re: Secured Notes"), which, among other things, amended certain terms of the Existing Secured Notes and the Repaid Secured Notes, provided for the issuance of additional secured notes (and periodic amendment of such additional secured notes), and contained certain provisions related to the administration or disposition of the "Collateral" (as defined in the Existing Secured Notes);

WHEREAS, the Borrowers and MSD shall, as of the date hereof, become party to that certain Secured Note dated as of the date hereof (the "MSD Secured Note");

WHEREAS, the Parties wish to (i) acknowledge and agree that the Existing Secured Notes shall be amended, restated and superseded in their entirety by the amended and restated Secured Note dated as of the date hereof among the Borrowers and Great American (the "Great

American Secured Note", and together with the MSD Secured Note, the "Secured Notes" and each a "Secured Note") and (ii) amend and restate the Agreement Re: Secured Notes in its entirety.

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 Agreements and Understandings with respect to the Existing Secured Notes.

(a) Existing Secured Notes. Each of the parties hereto acknowledge and agree that the Existing Secured Notes are amended and restated in their entirety in the form attached as Exhibit A hereto.

Section 2. Agreement Re: Secured Notes.

(a) Intercreditor Agreement. Each of the Parties hereto acknowledge and agree that (i) the Eighth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes dated September 26, 2019, among certain of the Borrowers and Great American (among others) is hereby amended and restated in its entirety; and (ii) any and all agreements among the Parties with respect to the Secured Notes, the relative priorities thereof, and the exercise of enforcement actions with respect to the Collateral (among other things) shall hereinafter be governed by that certain Intercreditor Agreement dated as of the date hereof (as the same may be amended, supplemented, restated, amended and restated or otherwise modified from time to time, the "Intercreditor Agreement"), among the Borrowers, Great American and MSD, the form of which is attached as Exhibit B hereto.

Section 3. Miscellaneous.

(a) Notices. All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in accordance with Section 9.01 of the Intercreditor Agreement.

(b) Governing Law. The provisions regarding governing law, jurisdiction, consent to service of process, and waiver of jury trial set forth in Sections 9.07 and 9.08 of the Intercreditor Agreement are incorporated herein *mutatis mutandis*.

(c) 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, the Secured Notes and the Intercreditor Agreement 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.

(d) 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).

(e) 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.

(f) 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, MSD and Great American. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Intercreditor Agreement Controlling. Each Party hereby agrees that in the event of any conflict between this Agreement and the Intercreditor Agreement, the Intercreditor 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

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,
as the Intermediate Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone________*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 NETWORK INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,

By: _/s/ Mark F. Muething_
Name: Mark F. Muething
Title: President

GREAT AMERICAN INSURANCE COMPANY,

By: _
Name: Stephen C. Beraha
Title: Assistant Vice President

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,

By: __

Name: Mark F. Muething

Title: President

GREAT AMERICAN INSURANCE COMPANY,

By: *[/s/ Stephen C. Bernha]*

Name: Stephen C. Beraha

Title: Assistant Vice President

Accepted and agreed:

MSD PCOF PARTNERS XVIII, LLC,

By: _/s/ Marcello Liguori_
Name: Marcello Liguori
Title: Vice President

Schedule I-A:

Existing Secured Notes

1. US $35,000,000 secured note, dated as of August 7, 2018, among the Borrowers and Great American (as amended to the date hereof by the Agreement Re: Secured Notes).

2. US $7,500,000 secured note, dated as of January 22, 2019, among the Borrowers and Great American (as amended to the date hereof by the Agreement Re: Secured Notes).

Schedule I-B:

Repaid Secured Notes

1. US $700,000 secured note, dated as of April 1, 2019, among HC2 Station Group, HC2 LPTV, and Minority Brands, Inc., an Ohio Corporation (the "MBI Note").

2. US $10,750,000 secured note, dated as of May 31, 2019, among HC2 Station Group, HC2 LPTV, the Parent Borrower and Arena Limited SPV, LLC, a Delaware limited liability company ("Arena") (the "May Arena Note").

3. US $5,375,000 secured note, dated as of August 2, 2019, among HC2 Station Group, HC2 LPTV, the Parent Borrower and Arena (the "August Arena Note").

4. US $5,375,000 secured note, dated as of September 10, 2019, among HC2 Station Group, HC2 LPTV, the Parent Borrower and Arena (the "September Arena Note" and, together with the May Arena Note and the August Arena Note, the "Arena Notes" and, the Arena Notes together with the MBI Note, the "Repaid Secured Notes").

EXHIBIT A

Great American Amended and Restated Secured Note

THIS SECURED NOTE IS SUBJECT TO THE PROVISIONS OF THE INTERCREDITOR AGREEMENT, DATED AS OF OCTOBER 24, 2019 (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME), AMONG HC2 BROADCASTING HOLDINGS INC., HC2 STATION GROUP, INC., HC2 LPTV HOLDINGS, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., THE OTHER GRANTORS PARTY THERETO, MSD PCOF PARTNERS XVIII, LLC, GREAT AMERICAN LIFE INSURANCE COMPANY AND GREAT AMERICAN INSURANCE COMPANY.

AMENDED AND RESTATED SECURED NOTE

US $42,500,000 October 24, 2019

FOR VALUE RECEIVED, **HC2 Station Group, Inc.**, a Delaware corporation, **HC2 LPTV Holdings, Inc.**, a Delaware corporation, **HC2 Broadcasting Inc.**, a Delaware corporation, **HC2 Network Inc.**, a Delaware corporation (collectively, the "**Subsidiary Borrowers**"), **HC2 Broadcasting Intermediate Holdings Inc.**, a Delaware corporation (the "**Intermediate Parent**"), **HC2 Broadcasting Holdings Inc.**, a Delaware corporation (the "**Parent Borrower**" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "**Borrowers**" and each, a "**Borrower**") hereby unconditionally promise, severally and jointly, to pay to the entities listed on Annex I hereto (collectively, the "**Lenders**", and each a "**Lender**"), or their respective successors and assigns, Forty Two Million Five Hundred Thousand Dollars (US $42,500,000), together with interest on the unpaid principal balance of this Amended and Restated Secured Note (this "**Note**") outstanding from time to time at a rate equal to Ten and a Half percent (10.50%) (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, goods, payment intangibles, software, commercial tort claims set forth on Schedule 1.1(a) hereto, instruments, inventory, investment property, letter of credit rights, letters of credit, money, securities accounts and any supporting obligations related to any of the foregoing (each as defined in the Uniform Commercial Code as in effect from time to time in the State of New York ("**UCC**"));

(c) all books and records pertaining to the property described in this Section 1.1;

(d) all Intellectual Property pertaining to the property described in this Section 1.1; 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.

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 Ninth Omnibus Amendment to Secured Notes and Amended and Restated Agreement Re: Secured Notes, dated as of the date hereof, among the Borrowers, the Lenders and the other 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 “**California Channel Sharing Agreement**” means that certain Second Amended and Restated Channel Sharing and Facilities Agreement, dated as of November 21, 2018, among, *inter alios*, NRJ TV SAN FRAN OPCO, LLC, NRJ TV SAN FRAN LICENSE CO, LLC, and HC2 Station Group, Inc.

1.7 “**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.

1.8 “**Capital Lease Obligations**” means the obligations of lessee relating to a Capital Lease determined in accordance with GAAP.

1.9 “**Change in Control**” means (i) HC2 Holdings 2, Inc., shall cease to directly own and control at least 50.1% of the outstanding Voting Stock and economic interests of Parent Borrower, (ii) the Parent Borrower shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of Intermediate Parent, (iii) the Intermediate Parent shall cease to directly own and control 100% of the outstanding Voting Stock and economic interests of each Subsidiary Borrower, (iv) HC2 Broadcasting Inc., shall cease to directly own and control (a) 100% of the outstanding Voting Stock and economic interests of HC2 Broadcasting License, and (b) at least 43.0% of the outstanding Voting Stock and economic interests in DTV America Corporation, or (v) HC2 Broadcasting Inc. shall cease to control at least 50.1% of the outstanding Voting Stock of DTV America Corporation as contemplated by the Investor Rights Agreement, the Proxies, the Voting Agreement or otherwise.

1.10 “**Channel Sharing Agreements**” means, collectively, the New York Channel Sharing Agreement and the California Channel Sharing Agreement.

1.11 “**Closing Date**” means the date upon which the conditions set forth in Section 2.2 are satisfied.

1.12 “**Code**” means the Internal Revenue Code of 1986, as amended.

1.13 “**Collateral**” means, collectively, the Pledged Stock and the Additional Collateral (but in any case shall not include the Excluded Collateral).

1.14 “**Collateral Agent**” has the meaning set forth in the Intercreditor Agreement.

1.15 “**Common Stock Equivalents**” means any securities of any 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.

1.16 “**Continental Secured Note**” means the US $2,000,000 Amended and Restated Secured Note, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company, as amended and supplemented by that certain letter agreement, dated as of December 23, 2016, between DTV America Corporation and Continental General Insurance Company (formerly known as United Teacher Associates Insurance Company) (the “**Continental Letter Agreement**”), in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.17 “**Contractual Obligation**” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

1.18 “**Controlled Shared Collateral**” has the meaning set forth in the Intercreditor Agreement.

1.19 “**Copyright**” means all domestic and foreign copyrights, whether registered or not or the subject of a pending application, all applications, registrations and recordings thereof, and all extensions or renewals thereof.

1.20 “**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.

1.21 “**Default Rate**” means, at any time, a rate per annum equal to the Interest Rate plus 4.00 % per annum.

1.22 “**Designated Jurisdiction**” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

1.23 “**Disbursement**” has the meaning set forth in Section 2.1.

1.24 “**DTV Notes**” means, that certain, (i) Convertible Promissory Note, dated as of March 25, 2014, between DTV America Corporation and Bruce A. Leshinski, in the original principal amount of US $100,000, (ii) Convertible Promissory Note, dated as of May 1, 2014, between DTV America Corporation and Joseph G. Carpino, in the original principal amount of US $300,000, (iii) Convertible Promissory Note, dated as of March 28, 2014, between DTV America Corporation and Wayne H. Wellman, in the original principal amount of US $300,000, (iv) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Life Insurance Company, in the original principal amount of US $900,000, and (v) Secured Note, dated as of June 27, 2017, between DTV America Corporation and Great American Insurance Company, in the original principal amount of US $600,000, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.25 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

1.26 “**ERISA Affiliate**” means any trade or business (whether or not incorporated) under common control with any Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

1.27 “**Event of Default**” has the meaning set forth in Section 8.

1.28 "**Excluded Account**" means, (x) a deposit account held by any Borrower (i) consisting solely of withheld income taxes and federal, state or local employment taxes in such amounts as are required in the reasonable judgment of such Borrower in the ordinary course of business to be paid to the relevant Governmental Authority, (ii) which is used for the sole purpose of making payroll for the then-current payroll period and withholding tax payments related thereto and other employee wage and benefit payments and accrued and unpaid employee compensation (including salaries, wages, benefits and expense reimbursements), (iii) constituting a custodian, trust, fiduciary or other escrow account established for the benefit of third parties in the ordinary course of business in connection with transactions permitted under the Note Documents and (y) any deposit account, securities account or commodities account held by any Borrower in which the average daily balance throughout a month in is less than US $10,000 individually and US $50,000 in the aggregate for all such accounts or such accounts in which the average daily balance throughout a month of the fair market value and/or amount, as the case may be, of the financial assets and/or commodity contracts, as the case may be, held in all such accounts not identified is less than US $10,000 individually or US $50,000 in the aggregate.

1.29 "**Excluded Collateral**" has the meaning set forth in Section 6.1.

1.30 "**Excluded Perfection Assets**" means, (i) any foreign Intellectual Property; (ii) Goods (as defined in the UCC) included in Collateral received by any Person for "sale or return" within the meaning of Section 2-326 of the UCC of the applicable jurisdiction, to the extent of claims of creditors of such Person (only to the extent the filing of a financing statement is not necessary or effective to perfect the security interest therein); (iii) Letter of Credit Rights (as defined in the UCC), except to the extent the filing of a financing statement under the UCC is necessary and sufficient to perfect the security interest therein; (iv) any promissory note in a principal amount not in excess of US $10,000 individually or in the aggregate not in excess of US $50,000, evidencing loans or other monetary obligations owing to any Borrower; and (v) any Collateral for which the perfection of liens thereon requires filings in or other actions under the laws of jurisdictions outside the United States.

1.31 "**Existing Notes**" means, collectively, the DTV Notes, the Intercompany Note, the King Forward Secured Notes, the Continental Secured Note, the Mako Note and the Intercompany Unsecured Bridge Notes.

1.32 "**Existing Great American Notes**" has the meaning set forth in Section 11.16.

1.33 "**FCC Licenses**" means licenses, permits, and other authorizations granted by the Federal Communications Commission.

1.34 "**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.

1.35 “**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.

1.36 “**HC2 Broadcasting License**” means HC2 Broadcasting License Inc., a Delaware Corporation.

1.37 “**HMT**” has the meaning set forth in the definition of “Sanctions”.

1.38 “**Indemnified Person**” has the meaning set forth in Section 10.1.

1.39 “**Intellectual Property**” means all intangible assets, intellectual property, Copyrights, Trademarks, and Patents.

1.40 “**Intercompany Note**” means that certain Intercompany Note executed as of April 30, 2019 and effective as of June 30, 2018 between the Parent Borrower and HC2 Holdings 2, Inc., as in effect on the date hereof, and subject to the Intercompany Note Subordination Agreement.

1.41 “**Intercompany Note Allonge**” means that certain allonge that pledges each Intercompany Unsecured Bridge Note to the Lenders.

1.42 **“Intercompany Note Subordination Agreement”** means the Subordination Agreement with respect to the Intercompany Note, dated as of the date hereof, by HC2 Holdings 2, Inc., in favor of the Lenders and MSD, as holders of this Note and the MSD Secured Note, as the case may be, as amended, restated, supplemented or otherwise modified from time to time.

1.43 “**Intercompany Unsecured Bridge Notes**” means each of (i) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender; and (ii) the unsecured US $1,500,000 Promissory Note dated as of November 13, 2017, between DTV America Corporation, as borrower, and HC2 Broadcasting Holdings Inc., as lender, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.44 “**Intercreditor Agreement**” means that certain Intercreditor Agreement, dated as of the date hereof, by and among the Lenders, MSD, and the Borrowers, as amended, restated, supplemented or otherwise modified from time to time.

1.45 “**Interest Payment Date**” means earlier of (a) the Maturity Date and (b) with respect to any portion of this Note that is prepaid prior to the Maturity Date, the applicable prepayment date.

1.46 “**Interest Rate**” has the meaning set forth in the introductory paragraph.

1.47 “**Intermediate Parent**” has the meaning set forth in the introductory paragraph.

1.48 **“Intermediate Pledged Stock”** means all shares of capital stock issued by the Intermediate Parent, 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.

1.49 “**Investor Rights Agreement**” means that certain Investor Rights Agreement dated as of June 27, 2017 among DTV America Corporation, HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), and the Stockholders (as defined therein) party thereto.

1.50 “**IRS**” means the U.S. Internal Revenue Service.

1.51 “**King Forward Guarantees**” means the Guaranty Agreements listed as items 2, 3, 4 and 5 in Schedule 7.2(i) hereto.

1.52 “**King Forward Lenders**” means each of King Forward Inc., Tiger Eye Licensing, L.L.C., and Tiger Eye Broadcasting Corporation.

1.53 “**King Forward Pledge Agreement**” means that certain Stock Pledge Agreement, dated as of November 9, 2017, between HC2 Broadcasting Inc. and King Forward, Inc.

1.54 “**King Forward Secured Notes**” means (i) the US $1,943,109.90 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License and King Forward Inc.; (ii) the US $142,212.60 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Licensing, L.L.C., (iii) the US $294,728.40 Senior Secured Promissory Note, dated as of June 27, 2017, between HC2 Broadcasting License and Tiger Eye Broadcasting Corporation, and (iv) the US $25,385.40 Senior Secured Promissory Note, dated as of June 27, 2017, among HC2 Broadcasting License, Bella Spectra Corporation, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.55 “**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.

1.56 “**Lenders**” has the meaning set forth in the introductory paragraph.

1.57 “**Lien**” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

1.58 “**Loan**” means the principal amount outstanding under this Note together with accrued interest thereon.

1.59 “**Mako Note**” means the amended and restated promissory note, dated as of July 25, 2019, among HC2 LPTV Holdings, Inc., Mako Communications, LLC, Mintz Broadcasting, Nave Broadcasting, LLC, Tuck Properties, Inc., Lawrence Howard Mintz and Sean Mintz, in the original principal amount of US $5,332,849.32, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof (including Section 7.2(k)).

1.60 “**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 legality, binding effect, validity or enforceability against any Borrower of any Note Document; (c) the ability of the Borrowers, taken as a whole, to perform their obligations under any Note Document; (d) any right or remedy of a Lender against any Borrower under any Note Document; or (e) the value of the FCC Licenses, taken as a whole; provided, however, that for purposes of the foregoing clause (e), the value of any sale, transfer, lease, assignment, conveyance, abandonment or other disposition of assets permitted by Section 7.2 shall be excluded for purposes of determining whether a Material Adverse Change has occurred.

1.61 **“Maturity Date”** means the earlier of (a) October 22, 2020 and (b) the date on which all amounts under this Note shall become due and payable.

1.62 “**Material Indebtedness**” has the meaning set forth in Section 8.9.

1.63 “**MSD**” means MSD PCOF Partners XVIII, LLC, a Delaware limited liability company, and its successors and permitted assigns under the MSD Secured Note.

1.64 “**MSD Agreement Obligations**” has the meaning set forth in the Intercreditor Agreement.

1.65 “**MSD Secured Note**” means the US $36,225,000 secured note, dated as of the date hereof, among the Borrowers and MSD, as lender, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms of the Intercreditor Agreement.

1.66 “**Multiemployer Plan**” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which any Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

1.67 “**Multiple Employer Plan**” means a Plan which has, or has had at any time during the preceding six years, two or more contributing sponsors (including any Borrower or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

1.68 “**New York Channel Sharing Agreement**” means that certain Channel Sharing and Facilities Agreement dated as of January 11, 2016 among, *inter alios*, Connecticut Public Broadcasting, Inc., HC2 LPTV Holdings, Inc., HC2 Station Group, Inc., and HC2 Holdings, Inc.

1.69 “**Note**” has the meaning set forth in the introductory paragraph.

1.70 “**Note Document**” means this Note, the Intercreditor Agreement, the Intercompany Note Subordination Agreement, the Agreement re: Secured Notes, the Intercompany Note Allonge and any other document or instrument executed or delivered in connection with transactions contemplated hereunder.

1.71 “**Obligations**” means all advances to, and debts, liabilities, obligations, covenants and duties of any Borrower arising under any Note Document or otherwise with respect to any Disbursement, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower or any Affiliate thereof or any proceeding under any debtor relief law naming such person as the debtor in such proceeding, regardless of whether such interest or fees are allowed or allowable in such proceeding.

1.72 “**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury.

1.73 **“Parent Borrower”** has the meaning set forth in the introductory paragraph.

1.74 “**Parties**” means the Lenders and the Borrowers.

1.75 “**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.

1.76 “**Pension Plan**” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by any Borrower or any ERISA Affiliate (or with respect to which any Borrower or any ERISA Affiliate has any liability, whether actual or contingent) and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

1.77 “**Permitted Indebtedness**” means (i) (a) the indebtedness incurred pursuant to this Note, (b) additional indebtedness secured by the Collateral which are MSD Agreement Obligations (subject to the Intercreditor Agreement) in an aggregate principal amount at any time outstanding of US $36,225,000 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; provided that, in connection with any refinancing or replacement in respect of indebtedness incurred pursuant to the foregoing clause (b), all such refinancings or replacements shall (x) not mature or require that any principal, interest or other amount be paid in cash, in each case prior to the Maturity Date, and (y) be subject to the terms and conditions of the Intercreditor Agreement and any and all fees, expenses, costs and premiums incurred in connection with such refinancing or replacement may not be paid in cash until the Obligations hereunder are paid in full, in cash; (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; (iii) unsecured intercompany indebtedness between or among the Borrowers that is evidenced by a promissory note accompanied by an allonge executed in blank and delivered to the Lenders upon the incurrence of such indebtedness; (iv) unsecured intercompany indebtedness of the Parent Borrower pursuant to the Intercompany Note, which shall be subject to the Intercompany Note Subordination Agreement (and any refinancing or replacement indebtedness in respect thereof, provided that such refinancing or replacement indebtedness will be subjected to a subordination agreement substantially consistent with the Intercompany Note Subordination Agreement and otherwise acceptable to the Lenders); (v) indebtedness incurred pursuant to the King Forward Secured Notes in an aggregate principal amount not to exceed US $2,405,436, including the King Forward Guarantees issued in connection therewith; (vi) indebtedness incurred pursuant to the Continental Secured Note in an aggregate principal amount not to exceed US $2,695,660; (vii) unsecured intercompany indebtedness of DTV America Corporation in an aggregate principal amount not to exceed US $2,500,000 and incurred pursuant to the Intercompany Unsecured Bridge Notes, which shall be subject to the Intercompany Note Allonge; (viii) indebtedness incurred pursuant to the Mako Note in an aggregate principal amount not to exceed US $3,582,849; and (ix) indebtedness incurred pursuant to the DTV Notes in an aggregate principal amount not to exceed US $2,652,023.56.

1.78 "**Person**" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

1.79 "**Permitted Liens**" means (i) Liens securing indebtedness incurred pursuant to clauses (i), (v) or (vi) 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) licenses or sublicenses of (or other grants of rights to use) Intellectual Property in the ordinary course of business and consistent with past practice which do not secure any Indebtedness for borrowed money or between or among Borrowers; (iv) inchoate mechanics and similar Liens for labor, materials or supplies to the extent securing amounts which are not yet due and payable; (v) 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); (vi) 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; (vii) Liens on equipment arising from precautionary UCC financing statements regarding operating leases of equipment; (viii) Liens on the common stock of HC2 Broadcasting License pledged by HC2 Broadcasting Inc. in favor of the King Forward Lenders; (ix) Liens securing indebtedness incurred pursuant to the secured notes referenced in clauses (iv) and (v) of the definition of "DTV Notes"; and (x) Liens granted in favor of the Collateral Agent pursuant to the Intercreditor Agreement.

1.80 "**Plan**" means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate, or any such Plan to which any Borrower or any Subsidiary of any Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees, in each case, for which any Borrower or any Subsidiary of any Borrower could have liability.

1.81 **"Pledged Stock"** means, collectively, the Intermediate Pledged Stock and the Subsidiary Pledged Stock.

1.82 "**Preferred Equity Agreement**" means the Series A Securities Purchase Agreement, dated as of December 3, 2018, by and among Continental General Insurance Company and Parent Borrower, together with the Amended and Restated Certificate of Designation of Series A Fixed Rate Preferred Stock of HC2 Broadcasting Holdings Inc., dated as of the date hereof, in each case, as in effect on the date hereof.

1.83 "**Proxies**" means each Irrevocable Proxy and Power of Attorney executed by any Stockholder pursuant to the Investor Rights Agreement.

1.84 "**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.

1.85 "**Revolving Credit Agreement**" means the Credit Agreement dated as of April 3, 2019, by and among HC2 Holdings, Inc., as the borrower, each of the guarantors party thereto and MSD PCOF Partners IX, LLC (together with any of its successors and assigns) as the lender, as amended, restated, supplemented or otherwise modified from time to time.

1.86 "**Sanction(s)**" means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury ("**HMT**") or other relevant sanctions authority.

1.87 "**Security Documents**" means this Note, any mortgages, deeds of trust, deeds to secure debt, security agreements, security trust agreements, pledge agreements, joinders, agency agreements, control agreements, intellectual property security agreements and other instruments and documents pursuant to which a lien or security interest in any asset of any Borrower is granted or Additional Collateral is pledged, assigned or granted to the Lenders, in each case, to secure the Obligations hereunder, as each may be amended, restated, supplemented or otherwise modified from time to time.

1.88 "**Solvent**" means, with respect to any Person on any date of determination, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital, and (v) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

1.89 "**Stockholder**" has the meaning set forth in the Investor Rights Agreement.

1.90 **"Subsidiary"** means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned or controlled, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such Person and/or one or more Subsidiaries of such Person. Notwithstanding the foregoing, DTV America Corporation, a Delaware corporation, shall be deemed to be a Subsidiary of HC2 Broadcasting Inc. for all purposes hereunder. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of any Borrower.

1.91 **“Subsidiary Borrowers”** has the meaning set forth in the introductory paragraph.

1.92 **“Subsidiary Pledged Stock”** means all shares of capital stock issued by the each of the Subsidiary Borrowers and all shares of capital stock issued by DTV America Corporation and held by any of the Borrowers, 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.

1.93 “**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.

1.94 “**Voting Agreement**” means that certain Voting Agreement dated as of June 27, 2017, among HC2 Broadcasting Inc. (formerly known as DTV Holding Inc.), Great American Life Insurance Company, and Great American Insurance Company.

1.95 “**Voting Stock**” means, with respect to any Person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

2. Disbursement Mechanics; Conditions to Closing.

2.1 Disbursement. The entire principal amount of this Note was disbursed by the Lenders pursuant to the Existing Great American Notes and all such amounts shall be deemed as a disbursement hereunder (the “**Disbursement**”). The Borrowers shall not have the right to redraw any amount prepaid or repaid hereunder.

2.2 Conditions to Closing. Each Lender’s obligation to execute and deliver this Note is subject to the condition precedent that the conditions set forth below and that each 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 by the Borrowers;

(b) a copy of the final form of the MSD Secured Note;

(c) a duly executed copy of the officer’s certificate substantially in the form attached as Exhibit A hereto;

(d) the representations and warranties of the Borrowers contained in Section 7.3 herein, or which are contained in any Note Document furnished at any time under or in connection herewith, shall be true and correct in all respects on and as of the date hereof; and

(e) no Default shall exist as of the date hereof.

3. Interest.

3.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of this Note shall bear interest at the Interest Rate from the date hereof until the Obligations are paid in full, in cash, 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, in cash.

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 daily from and after the Closing Date, and shall not accrue on the day on which the Obligations are paid in full, in cash.

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 Lenders 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 this Note in whole or in part at a prepayment price equal to 100% of the principal amount of this Note, plus accrued and unpaid interest on the principal amount of this Note being prepaid to, but not including, the date of prepayment.

(c) The Borrowers may on any one or more occasions voluntarily prepay any Existing Note only if the Borrowers first offer in writing to the Lenders to prepay this Note and the Lenders (i) rejects in writing such prepayment in whole or in part, in which case, any rejected amount may be applied to the Existing Note or (ii) accepts in writing such prepayment, resulting in the payment in full of all Obligations under this Note, in which case any excess amount may be applied to the Existing Note.

(d) Any such prepayment or offer to prepay 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 Lenders' 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 Lenders receive 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 any 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, in cash, to the Lenders by of all of the outstanding Obligations of the Borrowers under the Note Documents, to be subrogated to the security interest that may then be held by the Lenders upon the Collateral securing or purporting to secure the Obligations. If subrogation is demanded by any Borrower, then, after discharge of this Note following payment in full, in cash, to the Lenders of all of the outstanding Obligations of the Borrowers under the Note Documents, the Lenders shall deliver to the Borrower making such demand (at the cost of such Borrower) an instrument satisfactory to the Lenders transferring, on a quitclaim basis without any recourse, representation, warranty or any other obligation whatsoever, whatever security interest the Lenders then may hold in the Collateral securing the Obligations.

(c) All rights and claims arising under this Section 5.5 shall be fully subordinated to the rights of the Lenders under this Note prior to the indefeasible payment in full, in cash, to Lenders of the principal amount of, and interest on, this Note and the payment in full, in cash, of all other outstanding Obligations of the Borrowers under the Note Documents. 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.

Each Borrower, as collateral security for the prompt and complete payment and performance when due of the Obligations, 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 first priory lien on and security interest in all of such Borrower's right, title and interest, whether now owned or hereafter acquired, in the Additional Collateral including but not limited to the Pledged Stock, provided that this Agreement shall not constitute a grant of a security interest in, and the term "Additional Collateral" shall not include: (A) any property to the extent that and for as long as a grant of a security interest in such property (i) is prohibited by any applicable law or, (ii) requires a filing with or consent from any entity or person pursuant to any applicable law that has not been made or obtained, (B) any lease, license or agreement to the extent a grant of a security interest in such lease, license or agreement, constitutes a breach or default under or results in the termination of, or requires any consent not obtained under such lease, license or agreement, except to the extent that such applicable provisions of any such lease, license or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, (C) any right, title or interest in any applications for the registration for any Trademarks filed in the United States Patent and Trademark Office pursuant to 15 U.S.C. §1051 Section 1(b), unless and until acceptable evidence of use of the mark in interstate commerce is submitted to the United States Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (15 U.S.C. 1051, et seq.) to the extent, if any, that, and during the period, if any, in which granting a security interest in such Trademark application prior to such filing would adversely affect the enforceability or validity of such Trademark application or of any registration that issues therefrom, (D) any leaseholds of real property, (E) any Excluded Accounts, (F) is in assets subject to a lien securing Capital Lease Obligations or Purchase Money Obligations, in each case as permitted under this Note, if the contract or other agreement in which such lien is granted prohibits the creation of any other lien on such assets, except to the extent that applicable provisions of any such contract or agreement is ineffective under applicable law or would be ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC to prevent the attachment of the security interest granted hereunder, or (G) subject to Section 6.3(b) below, shares of capital stock of HC2 Broadcasting License (the foregoing clauses (A) through (G), collectively, shall be referred to hereafter as the "**Excluded Collateral**"); provided that automatically upon the payment in full or other irrevocable discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, all shares of capital stock of HC2 Broadcasting License shall cease to constitute Excluded Collateral and shall be pledged to the Lenders and constitute Additional Collateral for all purposes under this Note.

6.2 Filings. Each Borrower hereby authorizes each Lender to file, in any filing office as "Secured Party", without any further action by any Borrower, financing statements and amendments to financing statements describing the Collateral as such Lender determines in its sole discretion, including financing statements listing "All Assets, whether now owned or hereafter acquired," or words of similar effect, in the collateral description therein. Each Lender hereby authorizes the Borrowers, their counsel, Skadden, Arps, Slate, Meagher & Flom LLP, and/or their respective representatives or designees to file all UCC financing statement amendments attached hereto as Exhibit B.

6.3 Further Assurances; Expenses. Each Borrower shall:

(a) promptly, upon the reasonable request of the Lenders, 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 any Note Document or otherwise necessary or deemed by the Lenders reasonably desirable for the continued validity, enforceability, perfection and first 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;

(b) deliver or cause to be delivered to the Lenders from time to time such other documentation, instruments, consents, authorizations and approvals in form and substance reasonably satisfactory to the Lenders as such Lender shall reasonably deem necessary or advisable to perfect or maintain the validity, enforceability, perfection and first priority of the Liens on the Collateral pursuant to this Note, subject to Section 6.4. Upon payment in full, in cash, to the Lenders by the Borrowers of all of the outstanding Obligations of the Borrowers under the Note Documents, the Lenders shall take all action and execute and deliver all documents to immediately discharge and release all Liens granted under this Note; and

(c) promptly upon the payment in full or other discharge of the obligations under the King Forward Secured Notes, or upon any other termination or release of the negative pledge set forth in the King Forward Pledge Agreement, the Borrowers shall deliver (or shall cause HC2 Broadcasting License to deliver) the following to the Lenders, in each case in form and substance satisfactory to the Lenders: (i) a joinder agreement whereby HC2 Broadcasting License agrees to become party to this Note as a Borrower for all purposes hereunder, and (ii) to the extent certificated, the certificates representing 100% of the equity interests of HC2 Broadcasting License together with undated stock powers executed in blank, as applicable.

6.4 Agreement Re: Secured Notes and Intercreditor Agreement. This Note is subject to the Agreement Re: Secured Notes and the Intercreditor Agreement with respect to the priority of any security interests, application of payments or the exercise of any rights and remedies. In the event of any conflict between this Note, the Agreement Re: Secured Notes and the Intercreditor Agreement, the Intercreditor Agreement shall govern and be controlling, other than with respect to Section 6.1. Notwithstanding anything to the contrary set forth in this Note, delivery, possession or control of any Controlled Shared Collateral and entering into any control agreement in connection with any deposit, securities or other account constituting Collateral shall, in each case, be in accordance with, and subject to, the terms of the Intercreditor Agreement.

6.5 Perfection. Notwithstanding anything to the contrary set forth in this Note, no Borrower shall be required to take any action or complete any filings with respect to any asset constituting Excluded Perfection Assets, it being understood and agreed that, as of the date hereof, there are no assets constituting Excluded Perfection Assets.

6.6 [Reserved].

6.7 Termination. Upon payment in full of all Obligations (other than contingent Obligations not then due and payable), all Liens on and security interests in the Collateral created by the Security Documents to secure the Obligations shall be automatically released. In connection with any termination or release pursuant to this Section 6.7, the Lenders shall execute and deliver to any Borrower (or its designee or representative), at such Borrower's expense, all documents that such Borrower shall reasonably request to evidence such termination or release.

7. Covenants and Representations and Warranties.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that it shall, and shall cause its Subsidiaries to:

(a) (x) commencing with the fiscal quarter ended September 30, 2019 (if applicable), provide, or shall cause to be provided, to the Lenders, as soon as available, but in any event within seventy five (75) days after the end of each of the first three fiscal quarters of each fiscal year, and (y) commencing with the fiscal year ending December 31, 2019, one hundred twenty (120) days after the fiscal year, a consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter or year (as applicable), and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter or year (as applicable) 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 the Parent Borrower that such statements fairly present, in all material respects, the financial condition, results of operations, shareholders' equity and cash flows of the Parent Borrower and its consolidated Subsidiaries 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 Lenders, promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority affecting any Borrower, its Subsidiaries or any of their respective assets, in each case that has a claim for damages in excess of US $1,000,000 or that could otherwise result in a cost, expense or loss to such Borrower or its Subsidiaries in excess of US $1,000,000;

(c) provide to the Lenders immediate written notice of any Default, Event of Default, any event or circumstance that could reasonably be expected to have a Material Adverse Change or the occurrence of a Material Adverse Change;

(d) provide to the Lenders such other information respecting the business, operations, or property of the Borrowers and their Subsidiaries, 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 such Borrower and its Subsidiaries and maintain all related permits necessary for the ownership and operation of such Borrower's and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries' 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 and its Subsidiaries 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 and its Subsidiaries 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 Lenders, and the Lenders shall be named as the 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 under each Note Document.

(i) comply with all applicable Laws in all material respects.

(j) pay all material obligations as they become due.

(k) permit the Lenders access to the Collateral and otherwise provide such information as the Lenders shall reasonably request.

(l) to the extent available, use the net proceeds of this Note to pay fees, costs and expenses related to the Note Documents, including interest and principal payments, to pay the cash consideration for acquisitions, including fees, costs and expenses related to such acquisitions, and for general corporate purposes not in contravention of any Law or any Note Document.

(m) promptly upon receipt thereof, provide copies to the Lenders of all material notices and documents delivered to or by any Borrower or its Subsidiaries pursuant to any of the Existing Notes, the MSD Secured Note or the Preferred Equity Agreement.

(n) preserve, renew and maintain in full force and effect its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents.

(o) (i) other than as permitted in accordance with Section 7.2(g), maintain, preserve, protect and defend all FCC Licenses in full force and effect in the ordinary course consistent with past practice and maintain and preserve all of its material tangible properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (ii) make all necessary repairs thereto and renewals and replacements thereof, except where the failure to do so could not reasonably be expected to result in a Material Adverse Change.

(p) conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction, and maintain policies and procedures designed to promote and achieve compliance with such laws.

(q) (i) comply with all FCC media ownership rules set forth in Note 2 to 47 C.F.R. § 73.3555 and (ii) furnish to the Lenders, upon any Lender's request, detailed calculations demonstrating the total asset value of each FCC licensed broadcast station to permit Lender to determine whether the aggregate of such Lender's equity and debt interests in each FCC licensed broadcast station exceeds 33% of the total asset value of such FCC licensed broadcast station.

(r) promptly (and in any event no later than sixty (60) days after the Closing Date, as may be extended by the Lenders in their sole discretion), deliver to the Lenders (i) executed account control agreement(s) in form and substance reasonably satisfactory to the Lenders with respect to any deposit or securities account of any of the Borrowers that is not an Excluded Account; (ii) executed landlord waivers in form and substance reasonably satisfactory to the Lenders with respect to each property identified in Schedule 7.1(r) (provided that, notwithstanding anything to the contrary, the Borrowers shall not be deemed to have breached their obligations under this clause (ii) to the extent that they are using their reasonable best efforts to obtain such executed landlord waivers); (iii) an amendment to the New York Channel Sharing Agreement in form and substance reasonably satisfactory to the Lenders and duly executed by each of the parties thereto pursuant to which HC2 Holdings, Inc. is removed as a party to the New York Channel Sharing Agreement; and (iv) insurance certificates evidencing compliance with Section 7.01(g).

7.2 Restrictions. Each Borrower covenants and agrees that it shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of the Lenders:

(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 (it being understood that (x) the accrual or accretion of interest or payments in kind (and not in cash) or (y) (y) any extension of scheduled date of maturity of any loan or debt (which is Permitted Indebtedness) pursuant to any instrument, agreement, document or letter, shall, in each case, not be deemed to be an incurrence of indebtedness).

(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 that (x) accrue or are paid in kind (and not in cash) or (y) are made by one Borrower that are substantially concurrently invested in the common equity capital of, or contributed to the equity capital of, any other Borrower.

(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); provided, that (i) to the extent that any such acquisition or investment is proposed to result in any Borrower owning a Subsidiary that is not party to this Note and the Note Documents, within five (5) Business Days of such acquisition or investment, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral and (ii) no joint venture may be entered into in connection with any acquisition or investment otherwise permitted hereunder.

(f) permit or cause the sale of any assets of such Borrower or its Subsidiaries except (i) as permitted by Section 7.2(g) with respect to silent licenses or construction permits or (ii) for sales of any such assets not constituting Collateral individually or in the aggregate with a fair market value not to exceed US $2,500,000 during the term of this Note.

(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 Lenders 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 in the ordinary course of business and consistent with past practice any FCC License that is either a silent license or a construction permit and which in the good faith determination of the Borrowers either (x) has a nominal value (taking into account the intended use of such License to any Borrower) or (y) is duplicative with other FCC Licenses owned by the Borrowers; or (iv) exchange an FCC License that is a silent license or a construction permit and any assets related to such FCC License for assets in an amount not less than the fair market value of the FCC License and related assets being exchanged, in each case in the ordinary course of business and consistent with past practice and subject to an aggregate cap of US $5,000,000 in fair market value of all such exchanged FCC Licenses (together with the fair market value of any assets related to such FCC Licenses), in the case of clause (iii) or (iv) if such transaction exceeds US $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; (2) be a party to any merger or consolidation; or (3) sell, convey, transfer or otherwise dispose of all or substantially all of its assets (other than a transfer or disposition to another Borrower or to an entity that substantially concurrently with such transfer or disposition will become a Borrower and a party to the Note Documents and will grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral, but excluding in any event the Excluded Collateral).

(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: (i) any sale or disposition of silent licenses and/or construction permits permitted by Section 7.2(f) that are 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 (as determined by the board of directors of the Parent Borrower) and in connection therewith such Borrower provides written notice to the Lenders at least three (3) Business Days prior to the consummation of such transaction (which such notice shall include all material terms and conditions of such transaction), (ii) any other transaction or series of transactions approved by Lenders, (iii) the agreements set forth in Schedule 7.2(i) (to the extent performed in accordance with past practice), and (iv) reimbursement of expenses in the ordinary course of business, including reimbursement of expenses associated with employee-benefit plans, travel expenses incurred on a shared corporate card programs, shared facility costs, overhead expenses associated with shared office space and financial systems resources, and professional service fees; provided, however, that any such reimbursements permitted under this clause (iv) shall not exceed US $3,000,000 in the aggregate in any fiscal year.

(j) directly or indirectly form a Subsidiary unless within five (5) Business Days of such formation, such Subsidiary shall join this Note and the Note Documents as a Borrower and shall grant a first priority security interest and lien in substantially all of its assets, including Additional Collateral.

(k) amend, restate, supplement or otherwise modify the Preferred Equity Agreement, the Investor Rights Agreement, any of the Proxies, the Voting Agreement, any Existing Note, any Channel Sharing Agreement (other than as contemplated by Section 7.1(r)), or the King Forward Pledge Agreement in any respect.

(l) directly or indirectly use the net proceeds of this Note for any purpose which could breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in any other applicable jurisdiction.

(m) take any action, or knowingly omit to take any action, which action or omission could reasonably be expected to have the result of materially impairing the perfection or priority of the security interest with respect to the Collateral for the benefit of the Lenders.

(n) incur, or permit any ERISA Affiliate to incur, any liability, actual or contingent, with respect to a Pension Plan.

(o) Subject to Section 7.1(r), permit any Affiliate of any Borrower that is not a Borrower to be a party to any Channel Sharing Agreement.

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 with respect to itself and its Subsidiaries as applicable, until all Obligations under this Note is discharged in full, in cash:

(a) each Borrower and its Subsidiaries 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 or Subsidiary has material operations or assets.

(b) each Borrower has full power and authority to execute and deliver this Note and the other Note Documents and to incur and perform the obligations provided for herein and therein, respectively, 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 any other Note Documents, and each Borrower and its Subsidiaries is in compliance with all Laws and regulatory requirements to which it is subject.

(c) this Note and the other Note Documents constitute the valid and legally binding obligation of each Borrower, enforceable against such Borrower in accordance with its terms.

(d) except as disclosed to the Lenders in writing and acknowledged by the Lenders 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 or its Subsidiaries 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 its Subsidiaries and no provision of any existing agreement, mortgage, indenture or contract binding on such Borrower or its Subsidiaries or affecting its or its Subsidiaries' property, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Note and any other Note Document.

(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 and its Subsidiaries have been paid or are being contested in good faith by appropriate proceedings and such Borrower and its Subsidiaries have filed all tax returns which it is required to file.

(g) neither any Borrower nor any Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(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 and its Subsidiaries is as set forth on Schedule 7.3(i), which Schedule 7.3(i) shall also include the number of shares of common stock of each Borrower and its Subsidiaries outstanding as of the date hereof, (ii) 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 any Borrower except as set forth on Schedule 7.3(i), (iii) except as set forth on Schedule 7.3(i), 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, (iv) all of the outstanding shares of capital stock of each Borrower and its Subsidiaries 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, (v) except as set forth on Schedule 7.3(i), there are no stockholders agreements, voting agreements or other similar agreements with respect to any Borrower's capital stock to which such Borrower is a party or, to the knowledge of such Borrower, between or among any of such Borrowers' stockholders, (vi) no Person has any right to cause any Borrower to effect the registration under the Securities Act of any securities of such Borrower or any of its Subsidiaries and (vii) no Borrower has any Subsidiaries.

(j) the property of each Borrower (and each Subsidiary of each Borrower) is subject to no Liens, other than Permitted Liens.

(k) the property of each Borrower (and each Subsidiary of each Borrower) is insured with financially sound and reputable insurance companies in such amounts as are customarily carried by companies engaged in similar businesses and owning similar properties.

(l) ERISA Compliance.

(i) each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the IRS to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the IRS. To the knowledge of each Borrower, nothing has occurred that would prevent or cause the loss of such tax qualified status. No Plan is maintained outside the United States.

(ii) there are no pending or, to the best knowledge of the Borrowers, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to result in a Material Adverse Change. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Change.

(iii) neither the Borrowers nor any ERISA Affiliate currently maintains or has ever maintained or been required to contribute to a Pension Plan. None of the Plans is a Multiemployer Plan and neither the Borrowers nor any ERISA Affiliate are required to contribute to, or have ever been required to contribute to, a Multiemployer Plan. Neither the Borrowers nor any ERISA Affiliate has incurred any liability relating to Title IV of ERISA, and no fact or event exists which would give rise to such liability.

(m) the Parent Borrower has no Subsidiaries other than those specifically disclosed in Schedule 7.3(m) (which schedule may be updated upon acquisition or formation of a Subsidiary permitted under this Note), and all of the outstanding equity interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Parent Borrower or a Subsidiary of the Parent Borrower in the amounts specified on Schedule 7.3(m) free and clear of all Liens, other than Permitted Liens. No Borrower has any equity investments in any other Person other than those specifically disclosed in Schedule 7.3(m) (as may be updated from time to time). All of the outstanding equity interests in the Parent Borrower have been validly issued and are fully paid and nonassessable.

(n) no Borrower nor any of its Subsidiaries is engaged, and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States), or extending credit for the purpose of purchasing or carrying margin stock.

(o) no Borrower nor any of its Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

(p) no report, financial statement, certificate or other information furnished by or on behalf of any Borrower or any of its Subsidiaries to the Lenders in connection with the transactions contemplated hereby and under the other Note Documents (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(q) each Borrower and its Subsidiaries own, or possess the right to use, all of the Trademarks, service marks, trade names, Copyrights, Patents, patent rights, licenses and other intellectual property rights that are reasonably expected to be necessary for the operation of their respective businesses, as currently conducted, without conflict with the rights of any other Person, except where the failure to own, license or have the right to use would not, individually or in the aggregate, result in a Material Adverse Change. Except as specifically disclosed in Schedule 7.3(d), no claim or litigation regarding any of the foregoing is pending or, to the knowledge of any Borrower, threatened against any Borrower or Subsidiary, which, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change.

(r) each Borrower is, both individually and together with its Subsidiaries on a consolidated basis, Solvent.

(s) neither any Borrower, nor any of its Subsidiaries, nor, to the knowledge of any Borrower, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is majority owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) organized or resident in a Designated Jurisdiction.

(t) each Borrower and its Subsidiaries are in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery

Act 2010, and other applicable similar anti-corruption legislation in any other applicable jurisdiction.

8. Events of Default. Each Borrower covenants and agrees that 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, or any fees, costs or expenses with respect to, the Loan and the Obligations when due.

8.2 Breach of Covenants. Except (i) for matters otherwise addressed in this Section 8, (ii) any breach of Section 7.1(l), (n) or (p), each of which shall have no grace period and (iii) any breach of Section 7.1(c) or 7.2, each of which shall have a grace period of seven (7) days, any Borrower fails to observe or perform any covenant, condition or agreement contained in this Note or any other Note Document and such failure continues for fifteen (15) days.

8.3 Bankruptcy. Any Borrower or any of its Subsidiaries files a petition in bankruptcy or under any similar insolvency Law, makes an assignment for the benefit of creditors, if any petition in bankruptcy or under any similar insolvency Law is filed against any Borrower or any of its Subsidiaries and such petition is not dismissed within thirty (30) days after the filing thereof, or any Borrower or any of its Subsidiaries 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 or any of its Subsidiaries 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.

8.5 Breach of Representations and Warranties. Any representation or warranty made by any Borrower under this Note, any Note Document or any statement of fact or representation made by any Borrower in any report, financial statement, certificate or other document furnished to the Lenders pursuant to this Note or any Note Document, shall prove to have been false or misleading in any material respect when made or delivered.

8.6 Change in Control. A Change in Control shall occur.

8.7 Material Adverse Change. Any Material Adverse Change shall occur.

8.8 Note Documents. Any provision of any Note Document at any time after its execution and delivery and for any reason other than (i) as permitted hereunder or thereunder, or (ii) in connection with the satisfaction in full of all of the Obligations (other than contingent Obligations not then due and payable), ceases to be in full force and effect; or any Borrower or any other person contests in any manner the validity and enforceability of any provision of any Note Document; or any Borrower denies that it has any or further liability or obligation under any the Note Document, or purports to revoke, terminate or rescind any provisions of any Note Document.

8.9 Cross Default. Any Borrower or any Subsidiary (i) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of (A) the MSD Secured Note; (B) any indebtedness of any Borrower or any Subsidiary, individually or in the aggregate, exceeding US $1,000,000, other than under the Existing Notes or the MSD Secured Note; (C) any indebtedness under the Existing Notes and such payment default causes or permits the applicable lender under any such Existing Note to exercise any enforcement action or enact any remedy under the applicable Existing Note; or (D) any indebtedness under the Revolving Credit Agreement (the indebtedness under this clause (i) is referred to herein collectively as the "**Material Indebtedness**"), or (ii) fails to observe or perform any other agreement or condition relating to such Material Indebtedness, and such default or other event causes or permits a holder or holders of such Material Indebtedness to cause (after any applicable grace period), with the giving of notice if required, such Material Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such indebtedness to be made, prior to its stated maturity.

8.10 Preferred Equity Agreement. Any Borrower or any of its Subsidiaries shall default in the payment or performance of any obligation under the Preferred Equity Agreement, or any document related thereof, resulting in a Trigger Event as defined thereunder as of the date hereof.

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 Lenders 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 and all other Obligations shall become immediately due and payable without any notice, declaration or other act on the part of the Lenders. 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 Lenders on which the Borrowers are liable.

9.2 Other Rights. In addition to all other rights, options and remedies granted to the Lenders under this Note and any other Note Document (each of which is also then exercisable by the Lenders), the Lenders may, upon the occurrence of an Event of Default, exercise any other rights granted to the Lenders 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 Lenders).

(b) by the Lenders' 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 Lenders at any place designated by the Lenders.

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 the Lenders' exercise of their rights and remedies with respect to the Collateral after the occurrence of an Event of Default hereunder.

9.4 No Obligation. The Lenders 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 any of the Lenders sells any of the Collateral upon credit, the Borrowers will only be credited with payments actually made by the purchaser thereof that are received by such Lender. The Lenders 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 Lenders are 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 the Lenders to collect such deficiency.

9.6 Order; Remedies Cumulative. The Lenders shall have the right to proceed against all or any portion of the Collateral in any order. All rights and remedies granted the Lenders 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 Lenders may proceed with any number of remedies at the same time until all Obligations under the Note Documents are satisfied in full, in cash.

9.7 No Duties. The powers conferred on the Lenders 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 Lenders 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, solely to the extent required under applicable Law, 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 Lenders 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 Lenders and their respective Affiliates, and each of their respective direct and indirect owners, 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, any other Note Document or the Loan, the Obligations, the use of proceeds of this 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 the Obligations under the Note Documents and shall not be exclusive of any other right which the Lenders 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 Broadcasting Intermediate Holdings Inc.
HC2 Station Group, Inc.
HC2 LPTV Holdings, Inc.
HC2 Broadcasting Inc.
HC2 Network Inc.

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

(ii) If to the 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

(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 Lenders 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 (except as set forth in Section 11.16). 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 Lenders the costs and expenses (excluding, for the avoidance of doubt, net income and other taxes) incurred by the Lenders, including legal fees, in connection with (a) preparation, negotiation, execution, delivery and administration of the Note Documents, (b) the transactions contemplated by the Note Documents, including, but not limited to amendments, waivers or other modification to any Note Document, whether or not such document is executed or the proposed transactions hereunder or thereunder are consummated, (c) monitoring the Lenders' rights with respect to the Obligations under this Note, (d) any 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, and (e) to the extent not included in the foregoing, reasonable attorneys' fees, costs and expenses incurred in connection with a workout or restructuring and which shall not include, without the consent of the Parent Borrower, the fees and expenses of a third party financial advisor.

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 Lenders. Prior to the occurrence of an Event of Default and except for an assignment or transfer of this Note to one of its controlled Affiliates, the Lenders may not otherwise assign or transfer this Note or any of its rights hereunder without the prior written consent of the Parent Borrower. Following the occurrence and during the continuance of any Event of Default, the Lenders may freely assign or transfer this Note and/or any of its rights hereunder and under any of the Note Documents. This Note shall inure to the benefit of, and be binding upon, the Borrowers' and the Lenders' 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 the Lenders, 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.

11.16 Amendment and Restatement. This Notes amends and restates each of the following notes in its entirety: (i) Secured Note, dated August 7, 2018, issued by certain Borrowers in favor of the Lenders, for an aggregate principal amount of US $35,000,000 and (ii) Secured Note, dated January 22, 2019, issued by certain Borrowers in favor of the Lenders, for an aggregate principal amount of US $7,50,000 (collectively, the "**Existing Great American Notes**"). On and from the Closing Date, all obligations of the Borrowers to the Lenders under the Existing Great

American Notes shall be governed by and deemed to be outstanding under this Note, and the terms of the Existing Great American Notes shall have no further effect, except that the grant of security interests and Liens under and pursuant to the Existing Great American Notes shall continue unaltered to secure, support and otherwise benefit the obligations of the Borrowers under the Existing Great American Notes and this Note and the foregoing shall continue in full force and effect in accordance with its terms except as expressly amended thereby or hereby, and the parties hereto ratify and confirm the terms thereof as being in full force and effect and unaltered by this Note. It is hereby accepted and agreed that this Note does not constitute a novation, satisfaction, payment or reborrowing of any obligation under the Existing Great American Notes.

[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

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,
as the Intermediate Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: *_/s/ Philip A. Falcone_*
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 BROADCASTING INC.,
as a Subsidiary Borrower

By: _/s/ Philip A. Falcone_
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

HC2 NETWORK INC.,
as a Subsidiary Borrower

By: _/s/ Philip A. Falcone_
Name: Philip A. Falcone
Title: Executive Chairman, President and CEO

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,
as a Lender

By: _/s/ Mark F. Muething_
Name: Mark F. Muething
Title: President

GREAT AMERICAN INSURANCE COMPANY,
as a Lender

By: __
Name: Stephen C. Beraha
Title: Assistant Vice President

Accepted and agreed:

GREAT AMERICAN LIFE INSURANCE COMPANY,

as a Lender

By: __
Name: Mark F. Muething
Title: President

GREAT AMERICAN INSURANCE COMPANY,
as a Lender

By: */s/ Stephen C. Bernha*
Name: Stephen C. Beraha
Title: Assistant Vice President

ANNEX I

SCHEDULE OF LENDERS

Lenders	**Jurisdiction of Organization**	**Principal Amount**
Great American Life Insurance Company	Ohio	US $25,500,000
Great American Insurance Company	Ohio	US $17,000,000
		Total: US $42,500,000

SCHEDULE 7.1(r)

LIST OF PROPERTIES FOR LANDLORD WAIVER

Property Description	**Zip Code/ Postal Code**	**Legal Entity**	**Vendor/Tenant Name**
450 PARK AVE, 29TH FL, New York, NY	10022	HC2 Broadcasting Holdings Inc.	450 Property Owner (US), LLC
Building - 10893 NW 17TH ST, UNIT 113, Doral, FL	33172	HC2 Broadcasting Holdings Inc.	Agrosilca 2018 Investment LLC
Building - 2945 SENIOR RD, Missouri City, TX	77459	HC2 Station Group, Inc.	American Tower, L.P.
Building - 1204 W BELT LINE RD, Cedar Hill, TX	75104	HC2 Station Group, Inc.	Richland Dallas Tower, LLC
Media Gateway, Little Rock, AR	72211	HC2 Station Group, Inc. and DTV American Corporation	Media Gateway
Empire State Building Leased Facility WEDW Channel Share	10118	HC2 Station Group, Inc.	Connecticut Public Broadcasting

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.

(2) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Bella Spectra Corporation.

(3) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Licensing, L.L.C.

(4) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and Tiger Eye Broadcasting Corporation.

(5) Guaranty Agreement, dated November 9, 2017, by and between HC2 Broadcasting Inc. and King Forward, 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.

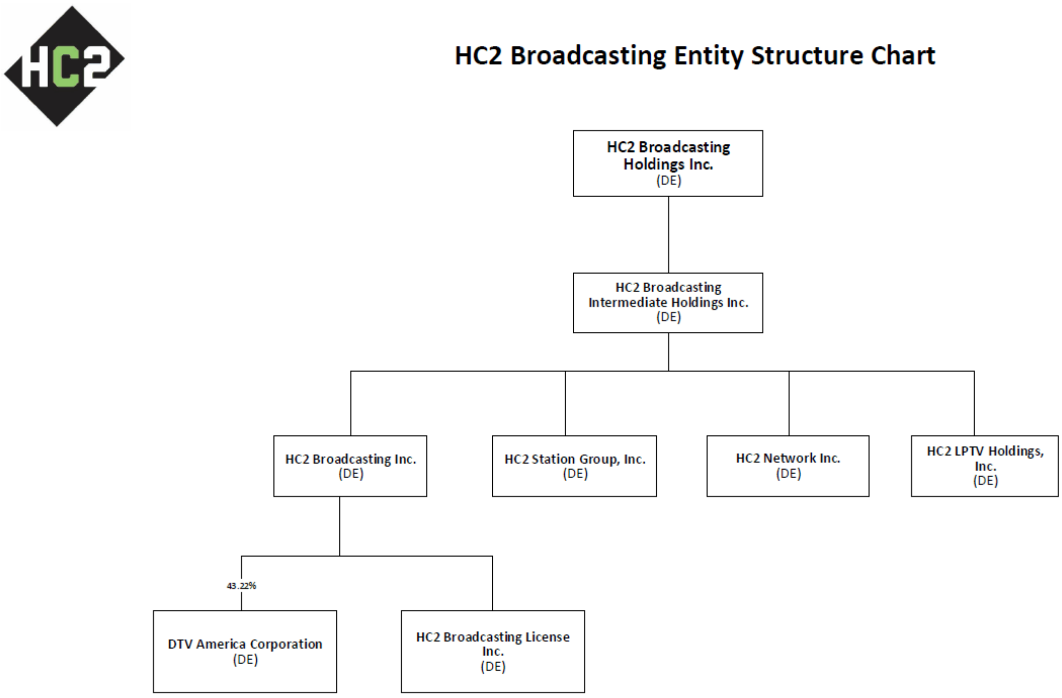
SCHEDULE 7.3(f)

TAXES

None.

<u>SCHEDULE 7.3(h)</u>

ORGANIZATIONAL CHART



SCHEDULE 7.3(i)

CAPITALIZATION,

PREEMPTIVE RIGHTS,

STOCK OPTIONS AND WARRANTS

A. CAPITALIZATION

HC2 Broadcasting Intermediate Holdings Inc.

Common Stock

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

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

HC2 Broadcasting 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 %**

HC2 Network 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 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 %**

DTV America Corporation

Common Stock

Total Authorized: 60,000,00 shares of Common Stock, $.01 par value per share.

Shareholder	# of Shares	% of Shares
HC2 Broadcasting Inc.	13,200,158	43.22 %
Continental General Insurance Company	2,089,574	6.84 %
Others	15,253,049	49.94 %
Total Issued	30,542,781	**100.00 %**

HC2 Broadcasting License Inc.

Common Stock

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

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

B. PREEMPTIVE RIGHTS

1) Continental Letter Agreement
2) Securities Purchase Agreement, dated as of July 15, 2015, between DTV America Corporation, a Delaware corporation and each purchase identified on signature pages thereto.

C. STOCK OPTIONS AND WARRANTS

[see attached]

EXHIBIT A

Officer’s Certificate

(see attached)

OFFICER'S CERTIFICATE

October 24, 2019

Reference is made to (i) that certain Amended and Restated Secured Note, dated as of the date hereof (the "Great American Note"), among HC2 Broadcasting Holdings Inc., a Delaware corporation (the "Parent Borrower"), the other Borrowers party thereto, and Great American Life Insurance Company and Great American Insurance Company, each as a Lender, and (ii) that certain Secured Note dated as of the date hereof (the "MSD Note" and, together with the Great American Note, the "Secured Notes" and each, a "Secured Note"), among the Parent Borrower, each other Borrower party thereto, and MSD PCOF Partners XVIII, LLC, as Lender.

The undersigned officer of the Parent Borrower, in his capacity as such (and not in such officer's individual capacity), does hereby certify as of the date hereof that:

1. The representations and warranties of each Borrower contained in Section 7.3 of each Secured Note, or which are contained in the applicable Note Document furnished on the date hereof, are true and correct in all material respects (unless any such representation or warranty is subject to a materiality qualifier, in which case such representation or warranty is true and correct in all respects) on and as of the date of the Disbursement.

2. No consent, license, or approval is required in connection with the execution, delivery, or performance by any Borrower of any Secured Note or any other Note Document.

3. No Default exists, or will result from the Disbursement on the date hereof or from the application of the proceeds thereof.

Capitalized terms used but not defined herein have the meanings given to such terms in the applicable Secured Note.

* * *

IN WITNESS WHEREOF, the undersigned has hereunto signed this Officer's Certificate as of the date first written above.

HC2 BROADCASTING HOLDINGS INC.

By: ___________________________________
Name: Ivan P. Minkov
Title: Chief Financial Officer

EXHIBIT B

UCC Financing Statement Amendment

(see attached)

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2019 3725970 05/30/2019

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record

AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 BROADCASTING HOLDINGS INC. F#689294 A#980840

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2019 3726085 05/30/2019

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes: This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to: ☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c ☐ ADD name: Complete item 7a or 7b, and item 7c ☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 BROADCASTING HOLDINGS INC. F#689297 A#980842

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) UCC Filing Department	800-828-0938
B. E-MAIL CONTACT AT FILER (optional) alb.UCC.filings@cogencyglobal.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) COGENCY GLOBAL INC. 194 Washington Avenue Suite 310 Albany, NY 12210	

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Intermediate Holdings Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Life Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710799 A#980836

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME					
HC2 Broadcasting Intermediate Holdings Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	
450 Park Avenue, 30th Floor	New York	NY	10022	US	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
Great American Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
301 East Fourth Street 27th Floor	Cincinnati	OH	45202	US

4. COLLATERAL: This financing statement covers the following collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710800 A#980837

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Network Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022		COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE		COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Insurance Company					
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME		ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202		COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710801 A#980838

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

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1a. ORGANIZATION'S NAME HC2 Network Inc.				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Life Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710802 A#980839

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME HC2 Broadcasting Inc.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS 450 Park Avenue, 30th Floor	CITY New York	STATE NY	POSTAL CODE 10022	COUNTRY US	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME Great American Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 301 East Fourth Street 27th Floor	CITY Cincinnati	STATE OH	POSTAL CODE 45202	COUNTRY US

4. COLLATERAL: This financing statement covers the following collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State
F#710809
A#980848

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME				
HC2 Broadcasting Inc.				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
450 Park Avenue, 30th Floor	New York	NY	10022	US

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
Great American Life Insurance Company				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
301 East Fourth Street 27th Floor	Cincinnati	OH	45202	US

4. COLLATERAL: This financing statement covers the following collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State F#710810 A#980849

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11) International Association of Commercial Administrators (IACA)

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5438193 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 Station Group, Inc. F#710807 A#980846

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5438086 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 STATION GROUP, INC.
F#711203
A#981517

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5437823 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:
This Change affects ☐ Debtor or ☐ Secured Party of record

AND Check one of these three boxes to:
☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c
☐ ADD name: Complete item 7a or 7b, and item 7c
☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Insurance Company

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 LPTV Holdings, Inc.

F#711204
A#981518

Signature Page to Officer's Certificate

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
UCC Filing Department 800-828-0938

B. E-MAIL CONTACT AT FILER (optional)
alb.UCC.filings@cogencyglobal.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

COGENCY GLOBAL INC.
194 Washington Avenue
Suite 310
Albany, NY 12210

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
2018 5437971 08/07/2018

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☐ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:
Check one of these two boxes: This Change affects ☐ Debtor or ☐ Secured Party of record
AND Check one of these three boxes to: ☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c ☐ ADD name: Complete item 7a or 7b, and item 7c ☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR 6b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME

OR 7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

8. ☒ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☒ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:
All assets of the Debtor of every kind and nature, whether now owned or hereafter acquired and wherever located, and all proceeds and products thereof.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
Great American Life Insurance Company

OR 9b. INDIVIDUAL'S SURNAME | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Filed with: DE - Secretary of State; Debtor: HC2 LPTV Holdings, Inc. F#711206 A#981520

Signature Page to Officer's Certificate

EXHIBIT B

Intercreditor Agreement

INTERCREDITOR AGREEMENT

dated as of October 24 2019,

among

HC2 BROADCASTING HOLDINGS INC.,

the other BORROWERS and GRANTORS party hereto,

MSD PCOF PARTNERS XVIII, LLC

and

GREAT AMERICAN INSURANCE COMPANY and
GREAT AMERICAN LIFE INSURANCE COMPANY

and

GREAT AMERICAN LIFE INSURANCE COMPANY,
as the Collateral Agent

INTERCREDITOR AGREEMENT dated as of October 24, 2019 (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement"), among HC2 BROADCASTING HOLDINGS INC., a Delaware corporation (the "Parent Borrower"), HC2 STATION GROUP, INC., a Delaware corporation ("HC2 Station Group"), HC2 LPTV HOLDINGS, INC., a Delaware corporation ("HC2 LPTV"), HC2 BROADCASTING INC., a Delaware corporation ("HC2 Broadcasting"), HC2 NETWORK INC., a Delaware corporation ("HC2 Network") and together with HC2 Station Group, HC2 LPTV, HC2 Broadcasting, HC2 Network, collectively, the "Subsidiary Borrowers"), HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., a Delaware corporation (the "Intermediate Parent" and, together with the Parent Borrower and the Subsidiary Borrowers, the "Borrowers" and each, a "Borrower"), the other Grantors party hereto, MSD PCOF PARTNERS XVIII, LLC, as lender under the MSD Agreement ("MSD"), GREAT AMERICAN LIFE INSURANCE COMPANY ("GALIC") and GREAT AMERICAN INSURANCE COMPANY, as lenders under the Great American Agreement (collectively, "Great American") and GALIC, as Collateral Agent for the benefit of the Secured Lenders.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Agreement" has the meaning assigned to such term in the preamble hereto.

"Applicable Authorized Representative" means, with respect to any Shared Collateral, (i) until the earlier of (a) the expiration of the Standstill Period and (b) the Discharge of First Lien Obligations that are MSD Agreement Obligations, MSD; and (ii) after the earlier of (a) the expiration of the Standstill Period and (b) the Discharge of First Lien Obligations that are MSD Agreement Obligations, Great American.

"Amend" means, in respect of any agreement, to amend, restate, supplement, waive or otherwise modify such agreement, in whole or in part. The terms "Amended" and "Amendment" shall have correlative meanings.

"Authorized Officer" means, with respect to any Person, the chief executive officer, the chief financial officer, principal accounting officer, any vice president, treasurer, general counsel, secretary or another executive officer of such Person.

"Bankruptcy Code" means the provisions of Chapter 11 of Title 11 of the United States Code 11 U.S.C. §§ 101 et seq., as amended from time to time, or any replacement, supplemental or successor federal statute, and all rules and regulations promulgated thereunder.

"Bankruptcy Law" means the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

"Borrowers" and "Borrower" have the respective meaning assigned to such terms in the preamble hereto.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Class", when used in reference to (a) any First Lien Obligations, refers to whether such First Lien Obligations are the MSD Agreement Obligations or the Great American Agreement Obligations, (b) any Secured Lender, refers to whether such Secured Lender is MSD or Great American, and (c) any Secured Credit Documents, refers to whether such Secured Credit Documents are the MSD Agreement Documents or the Great American Agreement Documents.

"Collateral" means all assets of any of the Borrowers or any of the Grantors now or hereafter subject to a Lien securing or purporting to secure any First Lien Obligation.

"Collateral Agent" has the meaning assigned to such term in Section 4.01(a).

"Control" has the meaning assigned thereto in the definition of "Affiliate".

"Controlled Shared Collateral" means all certificated securities, promissory notes, securities accounts and deposit accounts (as each such term is defined in the UCC) other than any Excluded Collateral (as such term is defined in the MSD Agreement).

"Discharge" means, with respect to First Lien Obligations of any Class, (a) payment in full in cash of the principal of and interest on (including interest accruing during the pendency of any Insolvency or Liquidation Proceeding, regardless of whether allowed or allowable in such Insolvency or Liquidation Proceeding), and premium, if any, on, all Indebtedness outstanding under the Secured Credit Documents of such Class, (b) payment in full of all other First Lien Obligations of such Class that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, and (c) termination or expiration of all commitments to lend under the Secured Credit Documents of such Class.

"Enforcement Action" means any action to enforce or attempt to enforce any right or remedy available under the Secured Credit Documents, applicable law or otherwise, including (a) any action to accelerate the maturity of, or demand as immediately due and payable, all or any part of the MSD Agreement Obligations or the Great American Agreement Obligations, as the case may be, (b) any action to sue for or exercise any right of set-off, (c) any action to commence, continue or participate in any judicial, arbitral or other proceeding, or any other collection or enforcement action of any kind, against any Borrower or any Grantor or the Shared Collateral (including any Insolvency or Liquidation Proceeding), seeking, directly or indirectly, to enforce any rights or remedies, or to enforce any of the obligations incurred by any Borrower or any Grantor or any Lien granted by any Borrower or any Grantor, under or in connection with the MSD Agreement Obligations or the Great American Agreement Obligations or the documents relating thereto, (d) any action to commence or pursue any judicial, arbitral or other proceeding or legal action of any kind, seeking injunctive or other equitable relief to prohibit, limit or impair the commencement or pursuit by any Secured Lender of any of its rights or remedies under or in connection with the Secured Credit Documents or otherwise available to any Secured Lender under applicable law, (e) any action in respect of such the Shared Collateral under the provisions of any state, local, federal or foreign law, including, without limitation, the Uniform Commercial Code as in effect in any applicable jurisdiction, or under any document relating to such Shared Collateral, to foreclose upon, take possession of or sell any Shared Collateral or any other property or assets of any Borrower or any Grantor, (f) the taking of any action to enforce or realize upon any Lien, including the institution of any private or judicial foreclosure or sale proceedings or the noticing of any public or private sale or other disposition pursuant to Article 9 of the Uniform Commercial Code or otherwise, (g) the exercise of any right or remedy as a secured creditor or otherwise on account of a Lien under the Secured Credit Documents, applicable law, in an Insolvency or Liquidation Proceeding or otherwise, (h) the taking of any action or the exercise of any right or remedy in respect of the collection on, taking possession of, set-off against, marshaling of, or foreclosure on the Shared Collateral or the proceeds of Shared Collateral, (i) the sale, lease, license, or other disposition of all or any portion of the Shared Collateral, by private or public sale, other disposition or any other means permissible under applicable law, (j) the exercise of any other enforcement right relating to the Shared Collateral (including the exercise of any voting rights relating to any equity interests and including any right of recoupment or set-off) whether under the Secured Credit Documents, applicable law, in an Insolvency or Liquidation Proceeding or otherwise, or (k) any action against or involving the Shared Collateral or the exercise of any remedy or the taking of any other action with respect thereto.

"Event of Default" means an "Event of Default" (or similar event, however denominated) as defined in any Secured Credit Document.

"First Lien Obligations" means (a) all the MSD Agreement Obligations and (b) all the Great American Agreement Obligations.

"GALIC" has the meaning assigned to such term in the preamble hereto.

"Grantor Joinder Agreement" means a supplement to this Agreement substantially in the form of Exhibit I.

"Grantors" means, at any time, each Borrower and each Subsidiary that, at such time, pursuant to Secured Credit Documents of any Class have granted a Lien on any of its assets to secure any First Lien Obligations of such Class.

"Great American" has the meaning assigned to such term in the preamble hereto, together with any successor or permitted assignee under the Great American Agreement.

"Great American Agreement" means the Amended and Restated Secured Note dated as of October 24, 2019 by and among HC2 Station Group, HC2 LPTV, and Great American Life Insurance Company and Great American Insurance Company as Lenders thereunder as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, in accordance with the terms hereof.

"Great American Agreement Cap" means, as of any date of determination, the result of (a) an amount (which amount shall be increased by the amount of all interest, fees and premiums as and when the same accrues or becomes due and payable, irrespective of whether the same is added to the principal amount of the Great American Agreement Indebtedness and including the same as would accrue and become due but for the commencement of an Insolvency or Liquidation Proceeding, whether or not such amounts are allowed or allowable, in whole or in part, in any such Insolvency or Liquidation Proceeding) equal to one hundred and ten percent (110%) of $42,500,000, minus (b) the aggregate amount of all regularly scheduled repayments and mandatory and voluntary prepayments of principal of the loan obligations under the Great American Agreement.

"Great American Agreement Documents" means the Great American Agreement this Agreement, and any other document or instrument executed or delivered in connection with the transactions contemplated under the Great American Agreement.

"Great American Agreement Indebtedness" means, as of any date of determination, the Loans, as defined in and outstanding under the Great American Agreement as of such date.

"Great American Agreement Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of any Borrower arising under any Great American Agreement Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Borrower or any Affiliate thereof or any proceeding under any debtor relief law naming such person as the debtor in such proceeding, regardless of whether such interest or fees are allowed or allowable in such proceeding.

"Impairment" has the meaning assigned to such term in Section 2.02.

"Indebtedness" means, as to any Person at a particular time, without duplication, all indebtedness of such Person for borrowed money; all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; all non-contingent obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers' acceptances issued in respect of trade payables; all obligations of such Person to pay the deferred and unpaid purchase price of property or services which would have been recorded as liabilities under GAAP, excluding trade payables arising in the ordinary course of business; all obligations of such Person as lessee under capital leases (other than the interest component thereof); and all indebtedness of other Persons guaranteed by such Person to the extent so guaranteed.

"Insolvency or Liquidation Proceeding" means:

(a) any case commenced by or against any Borrower or any other Grantor under any Bankruptcy Law, any other proceeding for the reorganization, receivership, recapitalization or adjustment or marshalling of the assets or liabilities of any Borrower or any other Grantor, any receivership or assignment for the benefit of creditors relating to any Borrower or any other Grantor or its assets or any similar case or proceeding relative to any Borrower or any other Grantor or its creditors or its assets, as such, in each case whether or not voluntary;

(b) any liquidation, dissolution, marshalling of assets or liabilities, assignment for the benefit of creditors or other winding up of or relating to any Borrower or any other Grantor or its assets, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency and whether or not in a court supervised proceeding; or

(c) any other proceeding of any type or nature in which substantially all claims of creditors of any Borrower or any other Grantor are determined and any payment or distribution is or may be made on account of such claims.

"Intervening Creditor" has the meaning assigned to such term in Section 2.02.

"Intervening Lien" has the meaning assigned to such term in Section 2.02.

"Lien" means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

"MSD" has the meaning assigned to such term in the preamble hereto, together with any successor or permitted assignee under the MSD Agreement.

"MSD Agreement" means the Secured Note dated as of October 24, 2019 by and among the Borrowers and MSD PCOF PARTNERS XVIII, LLC, as Lender thereunder, as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time in accordance with the terms hereof.

"MSD Agreement Cap" means, as of any date of determination, the result of (a) an amount (which amount shall be increased by the amount of all interest, fees and premiums, as and when the same accrues or becomes due and payable, irrespective of whether the same is added to the principal amount of the MSD Agreement Indebtedness and including the same as would accrue and become due but for the commencement of an Insolvency or Liquidation Proceeding, whether or not such amounts are allowed or allowable, in whole or in part, in any such Insolvency or Liquidation Proceeding) equal to one hundred ten percent (110%) of $36,225,000, minus (b) the aggregate amount of all regularly scheduled repayments and mandatory and voluntary prepayments of principal of the term loan obligations under the MSD Agreement (other than payments of such loan obligations in connection with a Refinancing thereof).

"MSD Agreement DIP Cap" means, after the commencement of an Insolvency or Liquidation Proceeding by any Borrower or any of such Borrower's subsidiaries, but solely in the event any holder of MSD Agreement Indebtedness provides DIP Financing in such Insolvency or Liquidation Proceeding, an amount equal to ten percent (10%) of the MSD Agreement Cap immediately prior to the petition date of the applicable Borrowers.

"MSD Agreement Documents" has the meaning assigned to the term "Note Documents" in the MSD Agreement (or any substantially similar term permitted in connection with a Refinancing permitted hereunder).

"MSD Agreement Indebtedness" means, as of any date of determination, the Loan as defined in and outstanding under the MSD Agreement as of such date, together with any Refinancing thereof; *provided* that the holders of any such Refinanced indebtedness shall, to the extent not already party hereto in such capacity, bind themselves in writing to the terms of this Agreement.

"MSD Agreement Obligations" has the meaning assigned to the term "Obligations" in the MSD Agreement, together with any Refinancing thereof; *provided* that the holders of any such Refinanced obligations shall, to the extent not already party hereto in such capacity, bind themselves in writing to the terms of this Agreement.

"Non-Conforming Plan of Reorganization" shall mean any Plan of Reorganization that does not provide for payments and distributions pursuant to such Plan of Reorganization in respect of the First Lien Obligations to be made in accordance with the priority specified in Section 2.01 and is not otherwise consistent with the other provisions of this Agreement.

"Non-Controlling Secured Lender" means, at any time, with respect to any Shared Collateral, the Secured Lender which is not the Applicable Authorized Representative at such time.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"Plan of Reorganization" means any plan of reorganization, plan of liquidation, agreement for composition, or other type of plan of arrangement or restructuring proposed in or in connection with any Insolvency or Liquidation Proceeding.

"Proceeds" has the meaning assigned to such term in Section 2.01(b).

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, purchase, defease, retire, restructure or replace, or to issue other Indebtedness in exchange or replacement for, such Indebtedness, in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"Secured Credit Documents" means (a) the MSD Agreement Documents and/or (b) the Great American Agreement Documents, as the context may require.

"Secured Lender" means each of MSD and Great American.

"Shared Collateral" means, at any time, Collateral on which both Secured Lenders have at such time a Lien (including as a result of the agreements set forth in Section 4.01).

"Standstill Period" means the period commencing on the date of a the occurrence of any Event of Default under the Great American Agreement and ending upon the date which is the earlier of (a) one hundred eighty (180) days after MSD has received written notice from Great American (with such notice delivered to MSD in accordance with Section 8.01 hereof) indicating that such Event of Default has occurred, and describing such Event of Default in reasonable detail and (b) the date on which the Discharge of Great American Agreement Obligations shall have occurred; *provided* that such period shall be tolled for (x) any period of time that MSD is stayed, enjoined or otherwise prohibited from exercising any Enforcement Action and (y) any period of time during which MSD is exercising any Enforcement Action which such additional period under this clause (y) shall not exceed an additional one hundred eighty (180) days and; *provided further*, in the event that as of any day during such one hundred eighty (180) days (if and as tolled by the foregoing clauses (x) and/or (y)), no Event of Default under the Great American Agreement is continuing, then the Standstill Period shall be deemed not to have commenced.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Parent Borrower.

"Successor Collateral Agent" has the meaning assigned to such term in Section 4.01(f).

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided* that, if by reason of any mandatory provisions of law, the perfection, the effect of perfection or non-perfection or priority of the security interests granted to the Collateral Agent pursuant to this Agreement are governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than New York, then "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of such perfection, effect of perfection or non-perfection or priority.

SECTION 1.02. Terms Generally. The definitions of terms herein shall apply equally to 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. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument, other document, statute or regulation herein shall be construed as referring to such agreement, instrument, other document, statute or regulation as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, but shall not be deemed to include the subsidiaries of such Person unless express reference is made to such subsidiaries, (c) the words "herein", "hereof' and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections and Exhibits shall be construed to refer to Articles, and Sections of, and Exhibits to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

ARTICLE II

Lien Priorities; Proceeds

SECTION 2.01. Relative Priorities.

(a) Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any Lien on any Shared Collateral securing any First Lien Obligation, and notwithstanding any provision of the Uniform Commercial Code of any jurisdiction, any other applicable law or any Secured Credit Document, or any other circumstance whatsoever (but, in each case, subject to Section 2.01(b) and Section 2.02), each Secured Lender agrees that Liens on any Shared Collateral securing First Lien Obligations of any Class shall be of equal priority.

(b) Each Secured Lender agrees that, notwithstanding (x) any provision of any Secured Credit Document to the contrary (but subject to Section 2.02) and (y) the date, time, method, manner or order of grant, attachment or perfection of any Lien on any Shared Collateral securing any First Lien Obligation, and notwithstanding any provision of the Uniform Commercial Code of any jurisdiction, any other applicable law or any Secured Credit Document, or any other circumstance whatsoever (but, in each case, subject to Section 2.02), if (i) such Secured Lender takes any Enforcement Action (including any right of setoff and action referred to in Section 3.01(a)), (ii) any distribution or payment is made in any Insolvency or Liquidation Proceeding of any Borrower or any other Grantor (including any "adequate protection" payment during such proceeding other than in accordance with Section 5.02), (iii) any distribution or payment is made before or after an Event of Default, whether as a result of any consensual sale or otherwise, (iv) any distribution or payment is made at any time whether prior to, on or after the Maturity Date (as defined in the Great American Agreement and including to the extent such Maturity Date has been accelerated) with respect to the Great American Agreement Obligations or (v) such Secured Lender receives any payment pursuant to any intercreditor agreement (other than this Agreement), then the proceeds of any exercise of rights or remedies, sale, collection or other liquidation obtained by such Secured Lender on account of such Enforcement Action or otherwise, and any such distributions or payments received by such Secured Lender (all such proceeds, distributions and payments being collectively referred to as "Proceeds"), shall be applied as follows:

(i) FIRST, to payment of all amounts owing to and all costs and expenses incurred by MSD pursuant to the terms of any MSD Agreement Document or in connection with any Enforcement Action, including all court costs and the reasonable fees and expenses of agents and legal counsel and, in each case, including all costs and expenses incurred in enforcing its rights to obtain such payment;

(ii) SECOND, to payment of that portion of the MSD Agreement Obligations constituting fees and indemnities payable to the holders of the MSD Agreement Indebtedness (including fees, any applicable prepayment premiums, charges and disbursements of counsel to the respective holders of MSD Agreement Indebtedness);

(iii) THIRD, to payment of that portion of the MSD Agreement Obligations constituting accrued and unpaid interest (including any post-petition interest with respect thereto, regardless of whether or not allowed or allowable in any Insolvency or Liquidation Proceeding);

(iv) FOURTH, to payment of that portion of the MSD Agreement Obligations constituting unpaid principal of loans;

(v) FIFTH, to payment of all other amounts of MSD Agreement Obligations payable to the holders of MSD Agreement Indebtedness; provided, however, that the aggregate amount of distributions pursuant to clauses FIRST, SECOND, THIRD, FOURTH and FIFTH of this Section 2.01(b) shall not exceed the MSD Agreement Cap;

(vi) SIXTH, to payment of all amounts owing to and all costs and expenses incurred by Great American pursuant to the terms of any Great American Agreement Document or in connection with any Enforcement Action, including all court costs and the reasonable fees and expenses of agents and legal counsel and, in each case, including all costs and expenses incurred in enforcing its rights to obtain such payment;

(vii) SEVENTH, to payment of that portion of the Great American Agreement Obligations constituting fees and indemnities payable to the holders of the Great American Agreement Indebtedness (including fees, charges and disbursements of counsel to the respective holders of Great American Agreement Indebtedness);

(viii) EIGHTH, to payment of that portion of the Great American Agreement Obligations constituting accrued and unpaid interest (including any post-petition interest with respect thereto, regardless of whether or not allowed or allowable in any Insolvency or Liquidation Proceeding);

(ix) NINTH, to payment of that portion of the Great American Agreement Obligations constituting unpaid principal of loans;

(x) TENTH, to payment of all other amounts of Great American Agreement Obligations payable to the holders of Great American Agreement Indebtedness; provided, however, that the aggregate amount of distributions pursuant to clauses SIXTH, SEVENTH, EIGHTH, NINTH and TENTH of this Section 2.01(b) shall not exceed the Great American Agreement Cap;

(xi) ELEVENTH, to the payment of all other amounts of MSD Agreement Obligations and Great American Agreement Obligations on a pro-rata, pari passu basis; and

(xii) TWELFTH, after payment in full of all the First Lien Obligations, to the Borrowers and the other Grantors or their successors or assigns, as their interests may appear, or as a court of competent jurisdiction may direct.

(c) It is acknowledged that the First Lien Obligations of any Class may, subject to the limitations set forth in the then extant Secured Credit Documents, be increased, extended, renewed, replaced, restated, supplemented, restructured, repaid, refunded, Refinanced or otherwise amended or modified from time to time in accordance with the terms hereof, all without affecting the priorities set forth in Section 2.01(b) or the provisions of this Agreement defining the relative rights of the Secured Lender of any Class.

SECTION 2.02. Impairments. It is the intention of the parties hereto that the Secured Lender of any given Class of First Lien Obligations (and not the Secured Lender of any other Class of Indebtedness) bear the risk of any determination by a court of competent jurisdiction that (i) the First Lien Obligations are unenforceable under applicable law or are subordinated to any other obligations, (ii) the Secured Lender of any Class does not have a valid and perfected Lien on any of the Collateral securing any First Lien Obligations of any other Class and/or (iii) any Person (other than any Secured Lender) has a Lien on any Shared Collateral that is senior in priority to the Lien on such Shared Collateral securing such First Lien Obligations, but junior to the Lien on such Shared Collateral securing any other class of First Lien Obligations (any such Lien being referred to as an "Intervening Lien", and any such Person being referred to as an "Intervening Creditor") (any condition with respect to First Lien Obligations being referred to as an "Impairment" of such obligations). In the event an Impairment exists with respect to any Class of First Lien Obligations, the results of such Impairment shall be borne solely by the Secured Lender of such Class of First Lien Obligations, and the rights of the Secured Lender of such Class of First Lien Obligations (including the right to receive distributions in respect of First Lien Obligations pursuant to Section 2.01(b)) set forth herein shall be modified to the extent necessary so that the results of such Impairment are borne solely by the Secured Lender of such Class. In furtherance of the foregoing, in the event that the First Lien Obligations shall be subject to an Impairment in the form of an Intervening Lien of any Intervening Creditor, the value of any Shared Collateral or Proceeds that are allocated to such Intervening Creditor shall be deducted solely from the Shared Collateral or Proceeds to be distributed in respect of First Lien Obligations of such Class.

SECTION 2.03. Payment Over. Notwithstanding the terms of the Great American Agreement, Great Agreement agrees that (a) it will not accept any payment, proceeds or distribution by any Borrower of cash, securities or other property, by set-off or otherwise, on account of Indebtedness, obligation or security (any such distribution a "Distribution") with respect to the Great American Agreement Obligations until the Discharge of the MSD Agreement Obligations other than in accordance with Section 2.01(b); *provided*, *however* that paid in kind interest may continue to accrue in respect of the Great American Agreement Obligations prior to the Discharge of the MSD Agreement Obligations; and (b) if any Distribution on account of the MSD Agreement Obligations or the Great American Agreement

Obligations or otherwise is received by Great American prior to the Discharge of the MSD Agreement Obligations other than as specified in Section 2.01(b), such Distribution shall not be commingled with any of the assets of Great American, shall be held in trust by Great American for the benefit of MSD, and shall immediately be paid over to MSD to be applied in accordance with Section 2.01(b).

SECTION 2.04. Determinations with Respect to Amounts of Obligations and Liens. Whenever the Secured Lender of any Class shall be required, in connection with the exercise of its rights or the performance of its obligations hereunder, to determine the existence or amount of any First Lien Obligations of any other Class, or the Shared Collateral subject to any Lien securing the First Lien Obligations of any other Class (and whether such Lien constitutes a valid and perfected Lien), it may request that such information be furnished to it in writing by the Secured Lender of such other Class and shall be entitled to make such determination on the basis of the information so furnished; *provided* that if, notwithstanding the request of the Secured Lender of such Class, the Secured Lender of such other Class shall fail or refuse reasonably promptly to provide the requested information, the Secured Lender of such Class shall be entitled to make any such determination by such method as it may, in the exercise of its good faith judgment, determine, including by reliance upon a certificate of an Authorized Officer of the Parent Borrower. Each Secured Lender may rely conclusively, and shall be fully protected in so relying, on any determination made by it in accordance with the provisions of the preceding sentence (or as otherwise directed by a court of competent jurisdiction) and shall have no liability to any Grantor or any other Person as a result of such determination or any action taken or not taken pursuant thereto.

SECTION 2.05. Exculpatory Provisions. None of the Secured Lenders shall be liable for any action taken or omitted to be taken by such Secured Lender with respect to any Shared Collateral in accordance with the provisions of this Agreement.

ARTICLE III

Rights and Remedies; Matters Relating to Shared Collateral

SECTION 3.01. Exercise of Rights and Remedies.

(a) Only the Applicable Authorized Representative may act or refrain from acting with respect to any Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral). Notwithstanding the equal priority of the Liens securing each Class of First Lien Obligations, the Applicable Authorized Representative may deal with the Shared Collateral as if it had a senior lien on the Shared Collateral and no other Secured Lender, whether in its capacity as secured or unsecured creditor, shall, or shall instruct the Applicable Authorized Representative to, take any Enforcement Action or demand or receive any payment from or on behalf of any Grantor; *provided* that prior to the expiration of the Standstill Period, (A) in any Insolvency or Liquidation Proceeding commenced by or against the any Borrower or any other Grantor, each Secured Lender may file a proof of claim or statement of interest with respect to the applicable obligations thereto, (B) in any Insolvency or Liquidation Proceeding commenced by or against any Borrower or any other Grantor, each Secured Lender may file any necessary or appropriate responsive pleadings in opposition to any motion, adversary proceeding or other pleading filed by any Person objecting to or otherwise seeking disallowance of the claim or Lien of such Secured Lender, (C) each Secured Lender may vote on any Plan of Reorganization in any Insolvency or Liquidation Proceeding of any Borrower or any other Grantor subject to the terms and conditions of Section 5.05, (D) in any Insolvency or Liquidation Proceeding commenced by or against the any Borrower or any other Grantor, each Secured Lender may take action to create, perfect, preserve, or protect (but not enforce, if not the Applicable Authorized Representative) its Lien on the Collateral, and (E) bid for or purchase Collateral at any public, private, or judicial foreclosure upon such Collateral initiated by the Authorized Applicable Representative, or any sale of Collateral during an Insolvency Proceeding; provided that such bid may not include a "credit bid" in respect of any Great American Agreement Obligations unless the net cash Proceeds of such bid are otherwise sufficient to pay the amounts referred to in clauses FIRST through FIFTH of Section 2.01(b); provided that in each case (A) through (E) above to the extent such action is not inconsistent with, prohibited by, or could not result in a resolution inconsistent with the terms of this Agreement.

(b) Notwithstanding the preceding Section 3.01(a), Great American may commence and may continue an Enforcement Action with respect to an Event of Default under the Great American Agreement only if: (1) the Standstill Period with respect thereto shall have elapsed and (2) any acceleration of the Great American Agreement Obligations has not been rescinded.

SECTION 3.02. Prohibition on Contesting Liens. Each Secured Lender agrees that it will not, and each hereby waives any right to, contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity, attachment or enforceability of a Lien held, or the allowability of any claim asserted, by or on behalf of any other Secured Lender in all or any part of the Shared Collateral; *provided* that nothing in this Agreement shall be construed to prevent or impair the rights of any Secured Lender to enforce this Agreement.

SECTION 3.03. Prohibition on Challenging this Agreement.

(a) Each Secured Lender agrees that it will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of this Agreement; *provided* that nothing in this Agreement shall be construed to prevent or impair the rights of any Secured Lender to enforce this Agreement.

(b) Each Secured Lender agrees that (i) it will not take or cause to be taken any action the purpose or intent of which is, or could be, to interfere, hinder or delay, in any manner, whether by judicial proceedings or otherwise any Enforcement Action or any sale, transfer or other disposition of the Shared Collateral by the Applicable Authorized Representative, (ii) except as provided in Section 3.01, it shall have no right to (A) exercise, or direct the Applicable Authorized Representative or any other Secured Lender to exercise, any right, remedy or power with respect to any Grantor or any Shared Collateral (including pursuant to any intercreditor agreement) or (B) consent to the exercise by the Applicable Authorized Representative or any other Secured Lender of any right, remedy or power with respect to any Grantor or any Shared Collateral, (iii) it will not institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the Applicable Authorized Representative or any other Secured Lender seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Grantor or any Shared Collateral, and none of the Applicable Authorized Representative or any other Secured Lender shall be liable for any action taken or omitted to be taken by the Applicable Authorized Representative or other Secured Lender with respect to any Grantor or Shared Collateral in accordance with the provisions of this Agreement, (iv) it will not seek, and hereby waives any right, to have any Shared Collateral or any part thereof marshalled upon any foreclosure or other disposition of such Collateral and (v) it will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of this Agreement; *provided* that nothing in this Agreement shall be construed to prevent or impair the rights of the Applicable Authorized Representative or any other Secured Lender to enforce this Agreement.

SECTION 3.04. Release of Liens. The parties hereto agree and acknowledge that the release of Liens on any Shared Collateral securing First Lien Obligations of any Class, whether in connection with a sale, transfer or other disposition of such Shared Collateral or otherwise, shall be governed by and subject to the Secured Credit Documents of such Class, and that nothing in this Agreement shall be deemed to amend or affect the terms of the Secured Credit Documents of such Class with respect thereto; *provided* that if, at any time any Shared Collateral is transferred to a third party or otherwise disposed of, in each case, in connection with any Enforcement Action by, or sale or other disposition consented to by, the Applicable Authorized Representative, then (whether or not any Insolvency or Liquidation Proceeding is pending at the time) the Liens in favor of the other Secured Lender upon such Shared Collateral will automatically be released and discharged upon final conclusion of foreclosure proceeding as and when, but only to the extent, such Liens on the Shared Collateral of the Applicable Authorized Representative are released and discharged; *provided*, *further*, that any proceeds of any Shared Collateral realized therefrom shall be applied pursuant to Section 2.01(b); *provided*, *however*, that the Liens in favor of the other Secured Lender will not be released as to any Shared Collateral the net proceeds of the disposition of which will not be applied to repay any First Lien Obligations. Each Secured Lender agrees to execute and deliver (at the sole cost and expense of the Grantors) all such authorizations and other instruments as shall reasonably be requested by the Applicable Authorized Representative to evidence and confirm any release of Shared Collateral provided for in this Section 3.04.

SECTION 3.05. Authority.

(a) Notwithstanding any other provision of this Agreement (including Section 4.01), nothing herein shall be construed to impose any fiduciary or other duty on any Applicable Authorized Representative to any Secured Lender or give any Secured Lender the right to direct any Applicable Authorized Representative, except that each Applicable Authorized Representative shall be obligated to distribute proceeds of any Shared Collateral in accordance with Section 2.01.

(b) In furtherance of the foregoing, each Secured Lender acknowledges and agrees that the Applicable Authorized Representative shall be entitled to sell, transfer or otherwise dispose of or deal with any Shared Collateral as provided herein and in the Secured

Credit Documents, as applicable, pursuant to which the Applicable Authorized Representative is the Secured Lender for such Shared Collateral, without regard to any rights to which the Non-Controlling Secured Lender would otherwise be entitled as a result of the First Lien Obligations held by such Non-Controlling Secured Lender. Without limiting the foregoing, each Secured Lender agrees that none of the Applicable Authorized Representative or any other Secured Lender shall have any duty or obligation first to marshal or realize upon any type of Shared Collateral (or any other Collateral securing any of the First Lien Obligations), or to sell, dispose of or otherwise liquidate all or any portion of such Shared Collateral (or any other Collateral securing any First Lien Obligations), in any manner that would maximize the return to the Non-Controlling Secured Lender, notwithstanding that the order and timing of any such realization, sale, disposition or liquidation may affect the amount of proceeds actually received by the Non-Controlling Secured Lender from such realization, sale, disposition or liquidation. Each of the Secured Lenders waives any claim it may now or hereafter have against any Secured Lender of any other Class of First Lien Obligations arising out of (i) any election by any Applicable Authorized Representative or any holders of First Lien Obligations, in any proceeding instituted under the Bankruptcy Code, of the application of Section 1111(b) of the Bankruptcy Code or any equivalent provision of any other Bankruptcy Law or (ii) any borrowing, or grant of a security interest or administrative expense priority under Section 364 of the Bankruptcy Code or any equivalent provision of any other Bankruptcy Law, by any Borrower or any other Grantor, as debtor-in-possession.

SECTION 3.06. Exculpatory Provisions. The Applicable Authorized Representative shall not have any duties or obligations except those expressly set forth herein or under any applicable Secured Credit Document. Without limiting the generality of the foregoing, the Applicable Authorized Representative:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby; *provided* that the Applicable Authorized Representative shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Applicable Authorized Representative to liability or that is contrary to this Agreement or applicable law;

(c) shall not be liable for any action taken or not taken by it in good faith that it believes to be authorized or within its rights or powers conferred upon it by this Agreement and the Secured Credit Documents;

(d) shall not be liable for any action taken or not taken by it in the absence of its own gross negligence or willful misconduct as determined by the final non-appealable judgment of a court of competent jurisdiction;

(e) shall be deemed not to have knowledge of any Event of Default under any Class of First Lien Obligations unless and until notice describing such Event Default and referencing applicable agreement is given to the Applicable Authorized Representative;

(f) shall not be responsible for or have any duty to ascertain or inquire into (1) any statement, warranty or representation made in connection with this Agreement or any other Secured Credit Document, (2) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (3) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (4) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Secured Credit Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Secured Credit Documents, (5) the value or the sufficiency of any Collateral for any Class of First Lien Obligations, or (6) the satisfaction of any condition set forth in any Secured Credit Document, other than to confirm receipt of items expressly required to be delivered to the Applicable Authorized Representative;

(g) need not segregate money held hereunder from other funds except to the extent required by law; and

(h) shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing.

ARTICLE IV

Collateral

SECTION 4.01. Controlled Collateral.

(a) Each Secured Lender hereby appoints GALIC as, and GALIC agrees to act as the collateral agent for the benefit of the Secured Lenders (in such capacity, the "Collateral Agent"). The Controlled Share Collateral shall be delivered, or control thereof shall be transferred, to the Collateral Agent. The duties or responsibilities of the Collateral Agent under this Section 4.01 will be limited solely to (i) possessing or controlling the applicable Pledged Collateral as agent for perfection in accordance with this Section 4.01 and delivering such Controlled Shared Collateral upon a Discharge of First Lien Obligations of Great American, as provided in Section 4.01(e) or upon the appointment of a Successor Collateral Agent, as provided in Section 4.01(f) and (ii) executing and delivering control agreements in form and substance reasonably satisfactory to the Collateral Agent to the extent required hereunder. The Collateral Agent will have no obligation to any Secured Lender to ensure that any Controlled Shared Collateral is genuine or owned by any of the Borrowers or to preserve rights or benefits of any Person except as expressly set forth in this Section 4.01.

(b) Each of the Borrowers hereby grants a security interest in all of its right, title and interest in and to the Controlled Shared Collateral, whether now owned or hereafter acquired, to the Collateral Agent for the benefit of the Secured Lenders to secure the First Lien Obligations.

(c) Subject to Section 4.01(a), for purposes of this Section 4.01, the Collateral Agent shall be entitled to deal with the applicable Controlled Shared Collateral in accordance with the terms of its Secured Credit Documents as if the Liens thereon of the Secured Lender of any other Class did not exist; *provided* that any Proceeds arising from any such Controlled Shared Collateral shall be subject to Article II. To the extent that the Collateral Agent has any Controlled Shared Collateral in its possession or control, then, subject to Section 2.01 and this Section 4.01, the Collateral Agent will possess or control such Controlled Shared Collateral as agent for the benefit of the Secured Lenders as secured party, so as to satisfy the requirements of sections 8-106, 8-301 and 9-104 of the UCC. In this Section 4.01, "control" has the meaning given to such term in sections 8-106 and 9-314 of the UCC.

(d) Each Borrower hereby authorizes the Collateral Agent to file, in any filing office as "Secured Party", without any further action by any Borrower, financing statements and amendments to financing statements describing the Controlled Shared Collateral as the Collateral Agent determines in its sole discretion in the collateral description therein, including without limitation, describing the Controlled Shared Collateral without including the description of the Excluded Collateral (as defined in the MSD Agreement).

(e) The Collateral Agent shall, upon the Discharge of the First Lien Obligations of Great American, transfer the possession and control of the applicable Controlled Shared Collateral, together with any necessary endorsements but without recourse or warranty, (i) if First Lien Obligations of MSD are outstanding at such time, to MSD, and (ii) if no First Lien Obligations are outstanding at such time, to the applicable Grantor or as directed by a court of competent jurisdiction, in each case so as to allow such Person to obtain possession and control of such Controlled Shared Collateral. In connection with any transfer under clause (i) above by the Collateral Agent, the Collateral Agent agrees to take all actions in its power as shall be necessary or reasonably requested by MSD to permit MSD to obtain a first priority security interest in the applicable Controlled Shared Collateral.

(f) Promptly upon the request of MSD, a third-party agent acceptable to MSD and Great American shall be appointed as the Collateral Agent (the "Successor Collateral Agent") hereunder and GALIC will thereafter cease to be the Collateral Agent. The parties hereto agree that, promptly upon such request from MSD, the parties shall execute an amendment to this Agreement whereby such Successor Collateral Agent shall be joined as a party hereunder and this Agreement shall be amended to reflect that such Successor Collateral Agent (and not GALIC) shall thereafter serve as the Collateral Agent for all purposes hereunder.

SECTION 4.02. Delivery of Documents. Promptly after the execution and delivery to any Secured Lender by any Grantor of any Secured Credit Document (other than any Secured Credit Document in effect on the date hereof, but including any amendment, amendment and restatement, waiver or other modification of any such Secured Credit Document), the Borrowers shall deliver to each Secured Lender party hereto at such time a copy of such Secured Credit Document.

ARTICLE V

Bankruptcy or Insolvency or Liquidation Proceedings

SECTION 5.01. Relief from Automatic Stay. Until the earlier of the Discharge of the MSD Agreement Obligations and the expiration of the Standstill Period, Great

American, on behalf of the holders of the Great American Agreement Indebtedness, agrees that none of them shall (i) seek relief from the automatic stay in any Insolvency or Liquidation Proceeding, without the prior written consent of MSD or (ii) oppose any motion by MSD or any of the holders of the MSD Agreement Indebtedness seeking relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Shared Collateral.

SECTION 5.02. Adequate Protection.

(a) Great American, on behalf of the holders of the Great American Agreement Indebtedness, agrees that it shall not oppose (nor support any other person in opposing) (i) any motion or other request by MSD or the holders of the MSD Agreement Indebtedness for adequate protection of MSD's Liens upon the Collateral in any form, including any claim of MSD or the holders of the MSD Agreement Indebtedness to post-petition interest, fees, or expenses as a result of their Lien on the Collateral and request for additional or replacement Liens on post-petition assets of the same type as the Collateral and/or for a superpriority administrative claim or (ii) any objection by MSD or the holders of the MSD Agreement Indebtedness claiming a lack of adequate protection with respect to their Liens in the Collateral.

(b) In any Insolvency or Liquidation Proceeding, Great American on behalf of the holders of the Great American Agreement Indebtedness may seek adequate protection in respect of the Great American Agreement Obligations, subject to the provisions of this Agreement, in the form of a Lien on additional or replacement collateral that is pari passu with any lien granted to MSD (on behalf of the holders of the MSD Agreement Indebtedness) or such holders of the MSD Agreement Indebtedness as adequate protection. In the event Great American on behalf of the holders of Great American Agreement Indebtedness seeks or requests (or is otherwise granted) adequate protection in respect of the Great American Agreement Obligations and such adequate protection is granted in the form of a Lien on additional or replacement collateral, then Great American on behalf of the holders of Great American Agreement Indebtedness agrees that MSD or the holders of the MSD Agreement Indebtedness, as the case may be, shall also be granted a Lien on such additional or replacement collateral (as applicable) as adequate protection for its interest in the Shared Collateral, and that these Secured Lenders' Liens on such additional or replacement collateral in respect of Great American Agreement Obligations (as applicable) shall be pari passu with the Liens on such additional or replacement collateral of MSD or the holders of the MSD Agreement Indebtedness, as the case may be, on the same basis as the Liens on the Shared Collateral are pari passu with the Liens of MSD or the holders of the MSD Agreement Indebtedness, as the case may be, on the Shared Collateral pursuant hereto; *provided* that any distribution or payment made on account of any such additional or replacement collateral shall be subject to and be applied in accordance with Section 2.01.

(c) Notwithstanding the foregoing, if the holders of the MSD Agreement Indebtedness have been granted as adequate protection or otherwise the right to receive current post-petition interest, incurred fees or expenses or other cash payments, then Great American shall not be prohibited from seeking adequate protection in the form of payments in the amount of current post-petition interest, incurred fees, and expenses or other cash payments (as applicable), in addition to the forms of adequate protection described in Section 5.02(b);

provided that any such payments shall be subject to and be applied in accordance with Section 2.01.

SECTION 5.03. [Reserved].

SECTION 5.04. Reorganization Securities. If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor (or equity rights, to the extent such equity rights include scheduled payment obligations of the issuer or are granted a liquidation preference) are distributed pursuant to a Plan of Reorganization, both on account of MSD Agreement Obligations and on account of Great American Agreement Obligations, then the provisions of this Agreement will survive the distribution of such debt obligations (or equity rights) pursuant to such plan and will apply with like effect to the Liens securing such debt obligations (or equity rights) and to any rights to payment or distribution of such debt obligations (or equity rights).

SECTION 5.05. Plan Voting. In furtherance of the provisions of this Agreement, neither MSD nor Great American may (directly or indirectly, in the capacity of a secured or unsecured creditor) propose, support, vote in favor of, or otherwise agree to any Non-Conforming Plan of Reorganization and if MSD or Great American receives any distribution or payment in connection with such Non-Conforming Plan of Reorganization, such distribution or payment shall be subject to Section 2.01, Section 2.03, and Section 5.04.

SECTION 5.06. Acknowledgement of Liens. Each Borrower and all other Grantors and each Secured Lender agrees and acknowledges that (i) the grants of Liens for the benefit of the holders of MSD Agreement Indebtedness and the holders of Great American Agreement Indebtedness constitute separate and distinct grants of Liens and (ii) because of, among other things, their differing rights in the proceeds of Collateral, the MSD Agreement Obligations are fundamentally different from the Great American Agreement Obligations and must be separately classified in any Plan of Reorganization proposed, confirmed, or adopted in any Insolvency or Liquidation Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the holders of MSD Agreement Indebtedness and the claims of the holders of the Great American Agreement Indebtedness in respect of the Collateral constitute only one class of secured claims (rather than separate classes of senior and junior secured claims in the manner provided herein), then the any amounts distributed from, or in respect of, the Collateral shall be applied in accordance with Section 2.01(b) of this Agreement, irrespective of whether a claim for such amounts is allowed or allowable in such proceeding under the Bankruptcy Code or any Bankruptcy Law.

ARTICLE VI

Other Agreements

SECTION 6.01. Concerning Secured Credit Documents and Collateral.

(a) The MSD Agreement Documents may be amended, supplemented or otherwise modified in accordance with their terms and the MSD Agreement Indebtedness may be Refinanced subject to Section 6.02, in each case, without notice to, or the consent of, Great

American; *provided* that any such amendment, supplement or modification or Refinancing is not inconsistent with the terms of this Agreement; *provided*, *further*, that any such amendment, supplement, modification or Refinancing shall not, without the consent of Great American (acting at the direction of the requisite holders of the Great American Agreement Indebtedness):

(i) restrict the amendment of the Great American Agreement Documents, except as set forth in (A) Section 6.01(b) hereof and (B) the MSD Agreement as in effect on the date hereof;

(ii) increase the "Interest Rate" by more than three percentage points (3%) per annum (excluding increases resulting from the imposition of interest at the default rate);

(iii) increase the principal portion of the MSD Agreement Indebtedness in excess of the MSD Agreement Cap;

(iv) modify (or have the effect of a modification of), the mandatory prepayment provisions of the MSD Agreement in a manner that makes them more restrictive to any Borrower;

(v) permit assignments of the MSD Agreement Indebtedness to any Borrower, any of the Borrowers' Affiliates or Subsidiaries, any natural Person or any holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person; or

(vi) permit the final scheduled maturity date of the MSD Agreement Indebtedness to be prior to that of the Great American Agreement Indebtedness

(vii) impose any restrictions on the ability of any Grantor to make payments in respect of the Great American Agreement Obligations except as any such restrictions are set forth in the MSD Agreement (including in Section 7.2 thereof) as in effect on the date hereof.

(b) The Great American Agreement Documents may be amended, supplemented or otherwise modified in accordance with their terms in each case, without notice to, or the consent of, MSD; *provided* that any such amendment, supplement or modification is not inconsistent with the terms of this Agreement; *provided*, *further*, that any such amendment, supplement, modification or Refinancing shall not, without the consent of MSD:

(i) restrict the amendment of the MSD Agreement Documents, except as set forth in Section 6.01(a) hereof or impose any restrictions on the ability of any Grantor to make payments in respect of the MSD Agreement Obligations;

(ii) increase the "Interest Rate" or similar component of the interest rate by more than three percentage points (3%) per annum (excluding increases resulting from the imposition of interest at the default rate);

(iii) modify (or have the effect of a modification of), the mandatory prepayment provisions of the Great American Agreement in a manner that makes them more restrictive to any Borrower or would require payment prior to the Discharge of the MSD Agreement Obligations;

(iv) increase the principal portion of the Great American Agreement Indebtedness in excess of the Great American Agreement Cap;

(v) change or add any financial covenant in a manner adverse to the Borrower and its subsidiaries;

(vi) permit assignments of the Great American Agreement Indebtedness to any Borrower, any of the Borrowers' Affiliates or Subsidiaries, any natural Person or any holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person;

(vii) permit the final scheduled maturity of the Great American Agreement Indebtedness to be prior to that of the MSD Agreement Indebtedness; or

(viii) restrict any Borrower's ability to make payments in respect of the MSD Agreement Indebtedness.

(c) The Grantors agree that each Secured Credit Document (other than any Secured Credit Document executed and delivered prior to the date hereof, without limitation of the applicability of this Agreement thereto) creating a Lien on any Shared Collateral securing any First Lien Obligations shall contain a legend substantially in the form of Annex I, or similar provisions approved by the Applicable Authorized Representative, which approval shall not be unreasonably withheld.

(d) The Grantors agree that they shall not, and shall not permit any Subsidiary to, grant or permit or suffer to exist any additional Liens on any asset or property to secure any Class of First Lien Obligations unless it has granted a Lien on such asset or property to secure each other Class of First Lien Obligations; *provided* that, to the extent the foregoing is not complied with for any reason, without limiting any other rights and remedies available to the Secured Lenders, each Secured Lender agrees that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 6.01(d) shall be subject to Article II.

SECTION 6.02. [Reserved].

SECTION 6.03. Reinstatement. If, in any Insolvency or Liquidation Proceeding or otherwise, all or part of any payment with respect to the First Lien Obligations of any Class previously made shall be rescinded for any reason whatsoever (including an order or judgment for disgorgement of a preference or other avoidance action under the Bankruptcy Code, or any similar law), then the terms and conditions of this Agreement shall be fully applicable thereto until all the First Lien Obligations of such Class shall again have been satisfied in full.

SECTION 6.04. Further Assurances. Each of the Secured Lenders and the Grantors agrees that it will execute, or will cause to be executed, such reasonable further documents, agreements and instruments, and take all such reasonable further actions, as may be required under any applicable law, or which any Secured Lender may reasonably request, to effectuate the terms of this Agreement.

ARTICLE VII

No Reliance; No Liability

SECTION 7.01. No Reliance; Information. Each Secured Lender acknowledges that it has, and will, independently and without reliance upon any other Secured Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Secured Credit Documents to which it is party and will continue to make its own credit decision to take or not take any action thereunder. The Secured Lender of any Class shall have no duty to disclose to any Secured Lender of any other Class any information relating to any Borrower or any of the Grantors or their Subsidiaries, or any other circumstance bearing upon the risk of nonpayment of any of the First Lien Obligations, that is known or becomes known to any of them or any of their Affiliates. If the Secured Lender of any Class, in its sole discretion, undertakes at any time or from time to time to provide any such information to, as the case may be, the Secured Lender of any other Class, it shall be under no obligation (i) to make, and shall not be deemed to have made, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of the information so provided, (ii) to provide any additional information or to provide any such information on any subsequent occasion or (iii) to undertake any investigation.

SECTION 7.02. No Warranties or Liability.

(a) Each Secured Lender acknowledges and agrees that no Secured Lender of any other Class has made any express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Secured Credit Documents, the ownership of any Shared Collateral or the perfection or priority of any Liens thereon. Each Secured Lender will be entitled to manage and supervise their loans and other extensions of credit in the manner set forth in their Secured Credit Documents. No Secured Lender shall, by reason of this Agreement, any other Secured Credit Document or any other document, have a fiduciary relationship or other implied duties in respect of any other Secured Lender.

(b) No Secured Lender of any Class shall have any express or implied duty to the Secured Lender of any other Class to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of a default or an Event of Default under any Secured Credit Document (other than, in each case, this Agreement), regardless of any knowledge thereof that they may have or be charged with.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(a) if to any Borrower or any Grantor, to it at:

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

with a copy (which shall not constitute notice) to:
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036-6522
Attention: Michael D. Saliba
Email: Michael.Saliba@skadden.com

(b) if to MSD, to it at:

c/o MSD Partners, L.P.
645 Fifth Avenue, 21st Floor
New York, New York 10022-5910
Attention: Marcello Liguori
Email: mliguori@msdpartners.com

with a copy (which shall not constitute notice) to

Morgan, Lewis & Bockius LLP
101 Park Avenue,
New York, New York 10178
Attention: Kristen V. Campana
Email: kristen.campana@morganlewis.com

(c) if to Great American, to it at:

Great American Insurance Company
c/o American Money Management Corporation
301 East Fourth Street, 27th Floor
Cincinnati, Ohio 45202
Attention: John S. Fronduti and Mark A. Weiss
Email: jfronduti@amfin.com and maweiss@amfin.com

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt (if a Business Day) and on the next

Business Day thereafter (in all other cases) if delivered by hand or overnight courier service or sent by facsimile or on the date five (5) Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 8.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 8.01. As agreed to in writing by any party hereto from time to time, notices and other communications to such party may also be delivered by e-mail to the e-mail address of a representative of such party provided from time to time by such party.

SECTION 8.02. Waivers; Amendment; Joinder Agreements.

(a) No failure or delay on the part of any party hereto in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereto are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 8.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any party hereto in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or otherwise modified except as contemplated by the Secured Credit Documents and then pursuant to an agreement or agreements in writing entered into by each Secured Lender then party hereto; *provided* that no such agreement shall by its terms amend, modify or otherwise affect the rights or obligations of any Grantor (in any material and adverse respect) without the Parent Borrower's prior written consent; *provided*, *further* that without any action or consent of any Secured Lender (i) this Agreement may be supplemented by a Grantor Joinder Agreement, and a Subsidiary may become a party hereto, in accordance with Section 8.12, and (ii) in connection with any Refinancing of First Lien Obligations of any Class, the Secured Lenders then party hereto shall enter, at the request of any Secured Lender or the Parent Borrower, into such amendments or modifications of this Agreement as are reasonably necessary to reflect such Refinancing; *provided* that such Secured Lender shall not be required to enter into such amendments or modifications unless it shall have received a certificate of an Authorized Officer of the Parent Borrower certifying that such Refinancing is permitted hereunder and under the Secured Credit Documents.

SECTION 8.03. Parties in Interest. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, all of whom are intended to be bound by, and to be third party beneficiaries of, this Agreement. No other Person shall have or be entitled to assert rights or benefits hereunder.

SECTION 8.04. Effectiveness; Survival. This Agreement shall become effective when executed and delivered by the parties hereto. All covenants, agreements, representations and warranties made by any party in this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement. This Agreement shall continue in full force and effect notwithstanding the commencement of any Insolvency or Liquidation Proceeding against any Borrower or any of the Subsidiaries, and the parties hereto acknowledge that this Agreement is intended to be and shall be enforceable as a "subordination" agreement under Bankruptcy Code Section 510(a). All references herein to any Grantor shall apply to any trustee for such Person and such Person as a debtor-in-possession.

SECTION 8.05. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 8.06. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.07. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each party hereto irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in the Borough of Manhattan, New York County and of the United States District Court of the Southern District of New York sitting in the Borough of Manhattan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement against any party hereto or its properties in the courts of any jurisdiction.

(c) Each party hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section 8.07. Each party hereto irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 8.01, such service to be effective upon receipt. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by law.

SECTION 8.08. **WAIVER OF JURY TRIAL. EACH PARTY HERETO 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 ARISING OUT OF OR RELATING TO THIS AGREEMENT (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.08.**

SECTION 8.09. Headings. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 8.10. Conflicts. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any other Secured Credit Document, the provisions of this Agreement shall control.

SECTION 8.11. Provisions Solely to Define Relative Rights. The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the Secured Lenders in relation to one another. Except as expressly provided in this Agreement, none of the Borrowers, any other Grantor, any other Subsidiary or any other creditor of any of the foregoing shall have any rights or obligations hereunder, and none of the Borrowers, any other Grantor or any other Subsidiary may rely on the terms hereof. Nothing in this Agreement is intended to or shall impair the obligations of any Borrower or any other Grantor, which are absolute and unconditional, to pay the First Lien Obligations as and when the same shall become due and payable in accordance with their terms. For the avoidance of doubt, nothing contained herein shall be construed to constitute a waiver or an amendment of any covenant of any Borrower or any other Grantor contained in any Secured Credit Document, which restricts the incurrence of any Indebtedness or the grant of any Lien.

SECTION 8.12. Additional Grantors. In the event any Subsidiary shall have granted a Lien on any of its assets to secure any First Lien Obligations, the Parent Borrower shall cause such Subsidiary, if not already a party hereto, to become a party hereto as a "Grantor". Upon the execution and delivery by any Subsidiary of a Grantor Joinder Agreement, any such Subsidiary shall become a party hereto and a Grantor hereunder with the same force and effect as if originally named as such herein. The execution and delivery of any such instrument shall not require the consent of any other party hereto. The rights and obligations of each party hereto shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

SECTION 8.13. Specific Performance. Each Secured Lender may demand specific performance of this Agreement. Each Secured Lender hereby irrevocably waives any defense based on the adequacy of a remedy at law and any other defense that might be asserted to bar the remedy of specific performance in any action which may be brought by the other Secured Lender.

SECTION 8.14. Integration. This Agreement, together with the other Secured Credit Documents, represents the agreement of each of the Grantors and the Secured Lenders with respect to the subject matter hereof and there are no promises, undertakings, representations or warranties by any Grantor or any Secured Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Secured Credit Documents.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MSD PCOF PARTNERS XVIII, LLC

By: ___
Name: Marcello Liquorn
Title: Vice President

GREAT AMERICAN LIFE INSURANCE COMPANY

By: ____
Name:
Title:

GREAT AMERICAN INSURANCE COMPANY

By: ____
Name:
Title:

GREAT AMERICAN LIFE INSURANCE COMPANY, as Collateral Agent

By: ____
Name: Mark F. Muething
Title: President

GRANTORS:

HC2 BROADCASTING HOLDINGS INC.,
as the Parent Borrower

By: __________
Name: Philip A. Falcone
Title: President, Executive Chairman and CEO

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,
as the Intermediate Borrower

By: __________
Name: Philip A. Falcone
Title: President, Executive Chairman and CEO

HC2 STATION GROUP, INC.,
as a Subsidiary Borrower

By: __________
Name: Philip A. Falcone
Title: President, Executive Chairman and CEO

HC2 LPTV HOLDINGS, INC.,
as a Subsidiary Borrower

By: __________
Name: Philip A. Falcone
Title: President, Executive Chairman & CEO

HC2 BROADCASTING INC.,
as a Subsidiary Borrower

By: ___________

Name: Philip A. Falcone
Title: Executive Chairman, President & CEO

HC2 NETWORK INC.,
as a Subsidiary Borrower

By: ___________

Name: Philip A. Falcone
Title: Executive Chairman, President & CEO

ANNEX I

SECURITY CREDIT DOCUMENTS LEGEND

THIS [NAME OF SECURED CREDIT DOCUMENT] IS SUBJECT TO THE PROVISIONS OF THE INTERCREDITOR AGREEMENT, DATED AS OF OCTOBER 24, 2019 (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME), AMONG HC2 BROADCASTING HOLDINGS INC., HC2 STATION GROUP, INC., HC2 LPTV HOLDINGS, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., THE OTHER GRANTORS PARTY THERETO, MSD PCOF PARTNERS XVIII, LLC, GREAT AMERICAN LIFE INSURANCE COMPANY ("GALIC"), GREAT AMERICAN INSURANCE COMPANY AND GALIC, AS COLLATERAL AGENT FOR THE BENEFIT OF THE SECURED LENDERS (AS DEFINED THEREIN) TO THE EXTENT PROVIDED THEREIN.

EXHIBIT I

[FORM OF] GRANTOR JOINDER AGREEMENT NO. [___] dated as of [___], 20[__] (this "Grantor Joinder Agreement") to the INTERCREDITOR AGREEMENT dated as of October 24, 2019 (the "Intercreditor Agreement"), among HC2 BROADCASTING HOLDINGS INC., a Delaware corporation (the "Parent Borrower"), HC2 STATION GROUP, INC., a Delaware corporation, HC2 LPTV HOLDINGS, INC., a Delaware corporation, HC2 BROADCASTING INC., a Delaware corporation, and HC2 NETWORK INC., a Delaware corporation (collectively, the "Subsidiary Borrowers"), HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., a Delaware corporation (the "Intermediate Parent" and, together with the Parent Borrower and the Subsidiary Borrowers, the "Borrowers" and each, a "Borrower"), the GRANTORS party thereto, MSD PCOF PARTNERS XVIII, LLC, GREAT AMERICAN LIFE INSURANCE COMPANY ("GALIC"), GREAT AMERICAN INSURANCE COMPANY and GALIC, as Collateral Agent for the benefit of the Secured Lenders, and [_____], a [_____], as an additional GRANTOR.

A. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

B. [___], a Subsidiary of the Parent Borrower (the "Additional Grantor"), has granted a Lien on all or a portion of its assets to secure First Lien Obligations and such Additional Grantor is not a party to the Intercreditor Agreement.

C. The Additional Grantor wishes to become a party to the Intercreditor Agreement and to acquire and undertake the rights and obligations of a Grantor thereunder. The Additional Grantor is entering into this Grantor Joinder Agreement in accordance with the provisions of the Intercreditor Agreement in order to become a Grantor thereunder.

Accordingly, the Additional Grantor agrees as follows, for the benefit of the Secured Lenders, the Borrowers and each other party to the Intercreditor Agreement:

SECTION 1. Accession to the Intercreditor Agreement. In accordance with Section 8.12 of the Intercreditor Agreement, the Additional Grantor (a) hereby accedes and becomes a party to the Intercreditor Agreement as a Grantor with the same force and effect as if originally named therein as a Grantor, (b) agrees to all the terms and provisions of the Intercreditor Agreement and (c) shall have all the rights and obligations of a Grantor under the Intercreditor Agreement.

SECTION 2. Representations, Warranties and Acknowledgement of the Additional Grantor. The Additional Grantor represents and warrants to each Secured Lender that this Grantor Joinder Agreement has been duly authorized, executed and delivered by such Additional Grantor and constitutes the legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3. Counterparts. This Grantor Joinder Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Grantor Joinder Agreement shall become effective when each Secured Lender shall have received a counterpart of this Grantor Joinder Agreement that bears the signature of the Additional Grantor. Delivery of an executed signature page to this Grantor Joinder Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Grantor Joinder Agreement.

SECTION 4. Benefit of Agreement. **The agreements set forth herein or undertaken pursuant hereto are for the benefit of, and may be enforced by, any party to the Intercreditor Agreement.**

SECTION 5. Governing Law. **THIS GRANTOR JOINDER AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 6. Severability. In case any one or more of the provisions contained in this Grantor Joinder Agreement should be held invalid, illegal or unenforceable in any respect, none of the parties hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Intercreditor Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. Notices. All communications and notices hereunder shall be in writing and given as provided in Section 8.01 of the Intercreditor Agreement.

SECTION 8. Expense Reimbursement. The Additional Grantor agrees to reimburse each Secured Lender for its reasonable and invoiced out-of-pocket expenses in connection with this Grantor Joinder Agreement, including the reasonable and invoiced fees, other charges and disbursements of counsel for each Secured Lender.

IN WITNESS WHEREOF, the Additional Grantor has duly executed this Grantor Joinder Agreement to the Intercreditor Agreement as of the day and year first above written.

[NAME OF SUBSIDIARY]

By: ___
Name:
Title:

Acknowledged by:

MSD PCOF PARTNERS XVIII, LLC

By: ___

Name:
Title:

GREAT AMERICAN INSURANCE COMPANY

By: ___

Name:
Title:

GREAT AMERICAN LIFE INSURANCE COMPANY

By: ___

Name:
Title:

GREAT AMERICAN LIFE INSURANCE COMPANY, as Collateral Agent

By: ___
Name:
Title:

Execution Version

DBM GLOBAL INC.

**FIRST AMENDMENT
TO FINANCING AGREEMENT**

This **FIRST AMENDMENT TO FINANCING AGREEMENT** (this "**Amendment**") is dated as of November 13, 2019 and entered into by and among **DBM GLOBAL INC.**, a Delaware corporation ("**Company**" or the "**Administrative Borrower**"), the subsidiaries of the Company listed as borrowers on the signature pages hereof (together with the Company, "**Borrowers**"), the subsidiaries of the Company listed as guarantors on the signatures pages hereto ("**Guarantors**"), the financial institutions listed on the signature pages hereof ("**Lenders**") and **TCW ASSET MANAGEMENT COMPANY**, as administrative agent for Lenders ("**Administrative Agent**"), and is made with reference to that certain Financing Agreement dated as of November 30, 2018 (the "**Financing Agreement**"), by and among Company, the Guarantors party thereto, the Lenders, certain other lenders from time to time party thereto, TCW Asset Management Company, as collateral agent, and Administrative Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Financing Agreement.

RECITALS

WHEREAS, Company and Lenders, constituting Required Lenders, desire to make certain amendments to the Financing Agreement:

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. AMENDMENTS TO THE FINANCING AGREEMENT

1.1 Amendments to Section 9: Events of Default

A. Subsection 9.01(c)(i) of the Financing Agreement is hereby amended by inserting the text ", Section 7.02" immediately following the reference to "Section 7.01(s)" appearing therein.

Section 2. MISCELLANEOUS

A. Reference to and Effect on the Financing Agreement and the Other Loan Documents.

(i) On and after the First Amendment Effective Date (as hereinafter defined), each reference in the Financing Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Financing Agreement, and each reference in the other Loan Documents to the "Financing Agreement", "thereunder", "thereof" or words of like import referring to the Financing

Agreement shall mean and be a reference to the Financing Agreement as amended by this Amendment (the "**Amended Agreement**").

(ii) Except as specifically amended by this Amendment, the Financing Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Agent or any Lender under, the Financing Agreement or any of the other Loan Documents.

B. Headings. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

C. Applicable Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

D. Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment shall become effective (the "**First Amendment Effective Date**") upon the execution of a counterpart hereof by Borrowers, Guarantors and Required Lenders and receipt by Company and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

Section 3. ACKNOWLEDGEMENT AND CONSENT BY GUARANTORS

Each Guarantor hereby acknowledges that it has read this Amendment and consents to the terms thereof, and hereby confirms and agrees that, notwithstanding the effectiveness of this Amendment, the obligations of each Guarantor under Article XI of the Financing Agreement shall not be impaired or affected and its guaranty thereunder is, and shall continue to be, in full force and effect and is hereby confirmed and ratified in all respects. Each Guarantor further agrees that nothing in the Financing Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendment to the Financing Agreement.

[The remainder of page intentionally left blank.]

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

BORROWERS:

DBM GLOBAL INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President

SCHUFF STEEL COMPANY
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President

AITKEN MANUFACTURING INC
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

SCHUFF STEEL - ATLANTIC, LLC
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President

DBM GLOBAL-NORTH AMERICA INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

CB-HORN HOLDINGS, INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

GRAYWOLF INDUSTRIAL, INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

TITAN CONTRACTING & LEASING COMPANY, INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

TITAN FABRICATORS, INC.
By: _/s/ Michael R. Hill_
Michael R. Hill
Vice President.

M. INDUSTRIAL MECHANICAL, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

MILCO NATIONAL CONSTRUCTORS, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

INCO SERVICES, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

<u>GUARANTORS:</u>
ON-TIME STEEL MANAGEMENT HOLDING, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

SCHUFF STEEL MANAGEMENT COMPANY - SOUTHWEST, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

SCHUFF PREMIER SERVICES INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

DBM GLOBAL HOLDINGS INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.
PDC SERVICES (USA) INC. (now known as DBM Vircon Services (USDA) Inc.)
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.
MIDWEST ENVIRONMENTAL, INC.
By: *<u>/s/ Michael R. Hill</u>*
Michael R. Hill
Vice President.

<u>COLLATERAL AGENT AND ADMINISTRATIVE AGENT:</u>

TCW ASSET MANAGEMENT COMPANY LLC

By: */s/ Suzanne Grosso*
Name: Suzanne Grosso
Title: Managing Director

LENDERS:

TCW DL VII Financing LLC
By: TCW Asset Management Company LLC,
its Collateral Manager

By: *_/s/ Suzanne Grosso__*
Name: Suzanne Grosso
Title: Managing Director

[DBM-First Amendment to Financing Agreement]

West Virginia Direct Lending LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: */s/ Suzanne Grosso*
Name: Suzanne Grosso
Title: Managing Director

TCW Skyline Lending, L.P.
By: TCW Asset Management Company LLC,
its Investment Advisor

By: */s/ Suzanne Grosso*
Name: Suzanne Grosso
Title: Managing Director

TCW Brazos Fund LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: _/s/ Suzanne Grosso_
Name: Suzanne Grosso
Title: Managing Director

[DBM-First Amendment to Financing Agreement]

NJ/TCW Direct Lending LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: _/s/ Suzanne Grosso_
Name: Suzanne Grosso
Title: Managing Director

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Jurisdiction of Organization
DBM Global Intermediate Holdco Inc.	Delaware
HC2 Holdings 2, Inc.	Delaware
HC2 International Holding, Inc.	Delaware
Schuff Merger Sub, Inc.	Delaware

Subsidiaries of DBM Global Intermediate Holdco Inc., HC2 Holdings 2, Inc. and HC2 International Holding, Inc., are listed below. All subsidiaries are wholly-owned by their respective parent, except where otherwise indicated.

SUBSIDIARIES OF DBM GLOBAL INTERMEDIATE HOLDCO INC.

Subsidiary	Jurisdiction of Organization
DBM Global Inc. (92.48%)	Delaware
CB-Horn Holdings, Inc.	Delaware
GrayWolf Industrial, Inc.	Delaware
Inco Services, Inc.	Georgia
M. Industrial Mechanical, Inc.	Delaware
Midwest Environmental, Inc.	Kentucky
Milco National Constructors, Inc.	Delaware
GrayWolf Integrated Construction Company (f/k/a Titan Contracting & Leasing Company, Inc.)	Delaware
Titan Fabricators, Inc.	Kentucky
DBM Global-North America Inc.	Delaware
Addison Structural Services, Inc.	Florida
Quincy Joist Company	Delaware
Aitken Manufacturing Inc.	Delaware
DBM Vircon Services (USA), Inc. (f/k/a BDS Steel Detailers (USA) Inc.)	Arizona
Innovative Structural Systems Inc.	Delaware
On-Time Steel Management Holding, Inc.	Delaware
Schuff Steel Management Company – Colorado LLC	Delaware
Schuff Steel Management Company – Southeast LLC	Delaware
Schuff Steel Management Company – Southwest, Inc.	Delaware
PDC Services (USA) Inc.	Delaware
Schuff Steel Company[(1)]	Delaware
Schuff Steel – Atlantic, LLC	Florida
Schuff Steel Company – Panama S. de R.L.	Panama
DBM Global Holdings Inc.	Delaware
DBM Vircon Services (UK) Ltd (f/k/a BDS Steel Detailers (UK) Ltd)	United Kingdom
DBM Vircon Services (India) Pvt Ltd (f/k/a BDS Vircon Private Limited)	India
DBM Vircon Services LTD[(2)]	British Columbia, Canada
DBMG International PTE LTD	Singapore
DBMG Singapore PTE LTD	Singapore

Subsidiary	Jurisdiction of Organization
DBM Vircon Services (Thailand) Co. LTD (f/k/a BDS Vircon Co. LTD)	Thailand
DBM Vircon (Australia) Pty Ltd	Australia
DBM Vircon Services (Australia) Pty Ltd (f/k/a BDS Global Detailing Pty Ltd)	Australia
BDS Steel Detailers (Australia) Pty Ltd	Australia
DBM Vircon Services (NZ) Ltd (f/k/a BDS Steel Detailers (NZ) Ltd)	New Zealand
PDC Operations (Australia) Pty Ltd	Australia
DBM Vircon Services (Philippines) Inc. (f/k/a PDC Asia Pacific Inc.)	Philippines
Schuff Premier Services LLC	Delaware

SUBSIDIARIES OF HC2 HOLDINGS 2, INC.

Subsidiary	Jurisdiction of Organization
American Natural Energy Corp (f/k/a ANG Holdings, Inc.)[(3)] (69.27%)	Delaware
American Natural Gas, LLC[(4)]	New York
ANG Region 1, LLC	Delaware
ANG Region 2, LLC	Delaware
ANG Region 3, LLC	Delaware
Continental Insurance Group Ltd.	Delaware
Continental LTC Inc.	Delaware
Continental General Insurance Company	Texas
Global Marine Holdings, LLC (72.75%)	Delaware
New Saxon 2019 Ltd	United Kingdom
Global Marine Holdings Limited	United Kingdom
HC2 Broadcasting Holdings Inc.[(5)] (98%)	Delaware
HC2 Broadcasting Intermediate Holdings Inc.	Delaware
HC2 Broadcasting Inc.	Delaware
DTV America Corporation (49.2%)	Delaware
HC2 Broadcasting License Inc.	Delaware
HC2 LPTV Holdings, Inc.	Delaware
HC2 Network Inc.[(6)]	Delaware
HC2 Station Group, Inc.	Delaware
NerVve Technologies, Inc. (72.35%)	Delaware
Pansend Life Sciences, LLC	Delaware
Genovel Orthopedics, Inc. (80%)	Delaware
R2 Technologies, Inc. (f/k/a R2 Dermatology Incorporated) (63.97%)	Delaware

SUBSIDIARIES OF HC2 INTERNATIONAL HOLDING, INC.

Subsidiary	Jurisdiction of Organization
HC2 International, Inc.	Delaware
Primus Telecommunications El Salvador SA de C.V.	El Salvador
ICS Group Holdings Inc.	Delaware
Arbinet-thexchange Ltd	United Kingdom
PTGi-ICS Holdings Limited	United Kingdom
PTGi International Carrier Services, Inc.	Delaware
PTGI-ICS OPS RO S.R.L.	Romania
PTGi International Carrier Services Ltd	United Kingdom
Go2Tel.com, Inc	Florida
Gu2Tel Spain, S.L.U.	Spain
The St. Thomas & San Juan Telephone Company, Inc.	U.S. Virgin Islands

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(1) Also does business under the name Schuff Steel Company Inc. (AL and NY)
(2) Also does business under the name Candraft VS
(3) Also does business under the name American Natural Gas Holdings, Inc. (CA)
(4) Also does business under the names American Natural Gas KY, LLC (KY), American Natural Gas of Ohio, LLC (OH)
(5) Also does business under the name QUU (DE and NY)
(6) Also does business under the names, HC2 Network Inc. - KAZD (TX), HC2 Network Inc. - KEMO (CA), , HC2 Network Inc. KJLA (CA), HC2 Network Inc. - KVDF(TX), HC2 Network Inc. - KYAZ (TX), HC2 Network Inc. - KYDF (TX), HC2 Network - WNYN (NY), HC2 Network - WQAW (DC), HC2 Network Inc. - WTNO (LA), HC2 Network Inc. - WUVM (GA), HC2 Network Inc. - WXAX (FL), HC2 Network Inc. - WPVN (IL), HC2 Network Inc. - KEJR (AZ) and HC2 Network Inc. - W16CC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

HC2 Holdings, Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S3 (No. 333-217274, No. 333-213107, No. 333-207266, and No. 333-207470) and Form S-8 (No. 333-224657, No. 333-218835 and No. 333-198727) of HC2 Holdings, Inc. of our reports dated March 16, 2020, relating to the consolidated financial statements, and the effectiveness of HC2 Holdings, Inc.'s internal control over financial reporting, which appears in this Form 10-K.

/s/ BDO USA, LLP

New York, NY
March 16, 2020

Exhibit 31.1

CERTIFICATIONS

I, Philip A. Falcone, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 16, 2020	By:	/s/ Philip A. Falcone	
		Name:	Philip A. Falcone
		Title:	Chairman, President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael J. Sena, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 16, 2020	By:	/s/ Michael J. Sena	
		Name:	Michael J. Sena
		Title:	Chief Financial Officer
			(Principal Financial and Accounting Officer)

Exhibit 32.1

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 Annual Report on Form 10-K for the year ended December 31, 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: March 16, 2020

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