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, 2020

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, 29th 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. x

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, 2020 was approximately $128,923,569, based on the closing sale price of the Common Stock on such date.

As of February 28, 2021, 76,752,805 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 2021 Annual Meeting of Stockholders are incorporated by reference into Part III.

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 has a portfolio of subsidiaries in a variety of operating segments. We seek to grow these businesses so that they can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. As of December 31, 2020, our four reportable operating segments, plus our Other segment, based on management's organization of the enterprise included Infrastructure, Life Sciences, Spectrum, Insurance 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") (Infrastructure), a family of companies providing fully integrated structural and steel construction services;
(ii) Pansend Life Sciences, LLC ("Pansend") (Life Sciences), our subsidiary focused on supporting healthcare and biotechnology product development;
(iii) HC2 Broadcasting Holdings Inc. and its subsidiaries ("HC2 Broadcasting") (Spectrum), a strategic acquirer and operator of Over-The-Air ("OTA") broadcasting stations across the United States ("U.S.") and Puerto Rico. In addition, Spectrum, 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
(iv) 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");
(v) Other, which represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate.

We expect to focus on operating and managing our portfolio of companies and building value in Infrastructure, Life Sciences and Spectrum in the future. We believe these segments are well positioned to take advantage of current trends in today's economy and that there is opportunity to build value organically and inorganically in these three segments. We will consider opportunities outside of these businesses in the longer term to acquire and invest in businesses with attractive assets that we consider to be undervalued or fairly valued.

Overall Business Strategy

We evaluate strategic and business alternatives, which may include the following: operating, growing or acquiring additional assets or businesses related to our current or historical operations; or winding down or selling our existing operations (including our Insurance segment), or, in the longer-term, acquiring assets or businesses unrelated to our current or historical operations. We will generally pursue either controlling positions in durable, cash-flow generating businesses, assets that will enhance our current businesses or companies we believe exhibit substantial growth potential in Infrastructure, Life Sciences and Spectrum. 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, while we intend to focus on Infrastructure, Life Science and Spectrum, we have broad discretion in identifying and selecting both the industry and the possible acquisition or business combination opportunity. 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. Competitive conditions affecting our operating businesses are described in the discussions below.

Employees

As of December 31, 2020, we had approximately 2,803 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

Infrastructure 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 GrayWolf Industrial business ("GrayWolf"), DBMG also provides integrated solutions for digital engineering, modeling and detailing, construction, heavy equipment installation and facility services including maintenance, repair, and installation to a diverse range of end markets. 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. In addition, through its DBM Vircon business (“DBM Vircon”), DBMG also has international operations located in Australia, Canada, India, New Zealand, the Philippines, Thailand, and the United Kingdom, providing steel detailing, rebar detailing, BIM modeling, and BIM management services.

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.

- *Ensure Project Delivery Success through Predictive Technologies*: DBMG uses resources including data analytics, modeling and detailing, laser scan to BIM, and augmented and virtual reality to provide fully integrated solutions for a project’s lifecycle, from design through fabrication, construction, and mechanical and facility services. DBMG is thus able to deliver optimal value and reliable outcomes that are on schedule and on budget.

Services and Customers

DBMG consists of four business units spread across diverse markets: Schuff Steel Company ("SSC") (steel fabrication and erection), 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, as well as management of smaller structural steel projects). For the year ended December 31, 2020 revenues were as follows (in millions):

	Revenue	% of Total Revenue
SSC	$ 436.3	64.5 %
GrayWolf	192.9	28.5 %
DBM Vircon	40.6	6.0 %
Aitken	6.8	1.0 %
Total	$ 676.6	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 2020, DBMG's two largest customers represented approximately 18.6% of revenues. In 2019, DBMG’s two largest customers represented approximately 20.2% of revenues.

DBMG’s size gives it the production capacity to complete large-scale, demanding projects, with typical utilization per facility ranging from 75%-88% and a sales pipeline that includes over $857 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 ten fabrication shops in the United States and 29 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 23% of DBMG's backlog (out of a total backlog of $394.5 million) as of December 31, 2020, 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 six fabrication shops in Arizona, California, Kansas, 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 310,000 tons;

- *Erection:* Named the top steel erector in the United States for 2007, 2008, 2011, and from 2013-2020 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.

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 steel fabrication, steel management, maintenance, repair, erection, 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 services 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 and paper, metals, mining and minerals, and petrochemical markets are able to receive specialized solutions including plant maintenance, process piping, equipment, and tank and 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 and vessels construction to the power, refining, petrochemical, and water treatment markets in the Midwest, Mid-Atlantic, and West Coast;

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

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

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, 2020, DBMG, through SSC, purchased approximately 53% of the total value of steel and steel components purchased from two domestic steel vendors. See Item 1A - Risk Factors - "Risks Related to the Infrastructure 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 manufacturing and industrial plants, data centers, warehouse and distribution centers, and other industrial and commercial facilities.

Upon selection of projects to bid or price, DBMG's estimating departments review and prepare 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, 2020, DBMG employed approximately 2,530 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 28% of DBMG's employees are covered under various collective bargaining agreements. As of December 31, 2020, 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.

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, 2020, Pansend is currently invested in four companies:

R2 Technologies, Inc.

R2 Technologies, Inc. ("R2"), a company developing and commercializing breakthrough aesthetic medical and non-medical devices in the aesthetic dermatology market. Founded in 2014 by Pansend and Blossom Innovations, LLC, R2 exclusively licenses intellectual property developed at Massachusetts General Hospital and Harvard Medical School.

Skin lightening and brightening is a large and fast growing segment of aesthetic dermatology. Current lightening products and/or procedures may be ineffective, unpredictable or even harmful, and patients often must compensate for lack of efficacy by using makeup or concealers. R2 has developed breakthrough CryoAesthetic technologies that uniquely deliver in-office treatments that provide patients skin lightening, brightening, skin tone evening and reduction or elimination of hyperpigmentation. R2 uses patented CryoAesthetic technology, which is the use of controlled cooling to suppress melanin, inflammation and discomfort by precisely controlling time and temperature to deliver an effective treatment with no social downtime.

In 2019, R2 closed its Series B "Commercialization" round with its strategic partner, Huadong Medicine Company, Ltd., ("Huadong") and, in exchange for a staged $30 million investment, entered into an exclusive distribution agreement with Huadong for the Asia-Pacific region. As a part of this agreement, Huadong's existing sales force will be responsible for sales and marketing in the Asia-Pacific region, and R2 will receive a share of the residual profits from such sales. As of December 31, 2020, R2 received two $10 million staged investments from Huadong based on the completion of certain pre-determined milestones at a post-money valuation of approximately $90 million. On February 3, 2021, the Company announced that R2 received its third and final $10 million staged investment at a pre-determined post-money valuation of approximately $113 million.

R2 currently has three products in various stages of commercialization and development:

1. Glacial Rx – Launching in the first quarter of 2021 in the United States after receiving U.S. Food and Drug Administration ("FDA") clearance, the Glacial Rx system removes benign lesions of the skin (such as those caused by aging, sun damage and/or genetics), leaving the skin with a smoother and brighter appearance with little to no pain and downtime for the patient. The Glacial Rx system will be sold to dermatologists and plastic surgeons and operated by trained healthcare professionals.

2. Glacial Spa – Launching in the first half of 2021 in China after receiving China Non-Medical Classification, the Glacial Spa is a cooling experience used to even skin tone, and brighten and lighten skin. The Glacial Spa system will be sold by Huadong’s existing sales force to spas and operated by a trained aesthetician.

3. Glacial AI – Currently undergoing research and development, the Glacial AI is an autonomous cooling device focused on whole-body skin lightening and brightening.

MediBeacon, Inc.

MediBeacon, Inc. ("MediBeacon") develops proprietary non-invasive real-time monitoring system for the evaluation of kidney function. Current methods to evaluate kidney function are indirect estimates that may be inaccurate and are not real-time. Chronic kidney disease is estimated to affect more than 850 million people worldwide.

MediBeacon’s Transdermal GFR Measurement System (“TGFR”), which uses an optical skin sensor combined with Lumitrace, a proprietary agent that glows in the presence of light, will be the first non-invasive system to enable real-time, direct monitoring of kidney function at point-of-care. On October 22, 2018, the FDA granted Breakthrough Device designation to the TGFR for the measurement of Glomerular Filtration Rate (“GFR”) in patients with impaired or normal kidney function. Under the Breakthrough Device program, the FDA works with companies to expedite regulatory review in order to give patients more timely access to innovative diagnostic and therapeutic technologies. MediBeacon is expected to begin its U.S. pivotal study in the second half of 2021.

In 2019, MediBeacon closed its Series B financing round with its strategic partner, Huadong, providing Huadong with exclusive rights to MediBeacon’s portfolio of assets in Greater China in exchange for a staged $30 million investment. Further, Huadong will be responsible for funding clinical trials, commercial and regulatory activities in 25 countries in the Asia-Pacific region, including Greater China. In exchange, MediBeacon will receive royalty payments on net sales of the TGFR system. As of December 31, 2020, MediBeacon has received $15 million from Huadong at a pre-money valuation of approximately $300 million. Contingent upon the regulatory approval of the TGFR system by the FDA, Huadong will make a second $15 million investment at a pre-money valuation of approximately $400 million. In 2020, Huadong amended its commercial agreement, which will provide an additional $20 million pre-payment of future China royalties over the next two years to pursue Class 1 status in China, allowing the device to immediately enter the Chinese hospital system. As of December 31, 2020, MediBeacon has received approximately $10 million to include China in MediBeacon's global pivotal study.

MediBeacon is also exploring additional clinical applications of the patented Lumitrace technology, including:

1. Gastrointestinal permeability, which has the potential to transform management of autoimmune and inflammatory diseases, including Crohn’s disease. Grants from the Bill and Melinda Gates Foundation, in collaboration with scientists at Washington University School of Medicine in St. Louis and the Mayo Clinic, have supported MediBeacon’s research in this area. During 2020, the first in-human clinical studies were conducted to establish the feasibility of fluorescent tracer agent-based systems to quantify the permeability of the gastrointestinal tract in patients with active Crohn’s disease.

2. Ocular angiography, which has the potential to diagnose and monitor vasculature leakage in the eye, a key factor in diagnosing and monitoring various diseases, including macular degeneration, diabetic retinopathy and retinal vasculitis while avoiding current potential clinical side effects such as allergic reactions, nausea and vomiting. MediBeacon was 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, having recently received FDA approval in 2020 to begin clinical studies.

3. Surgical visualization feasibility, which has the potential to be used in open, laparoscopic and robotic surgeries to identify critical structures, tumor margins and blood flow in tissues in real-time. Clinical research in this area is still underway.

Genovel Orthopedics, Inc.

Genovel Orthopedics, Inc. ("Genovel") is a medical device company developing novel partial and total knee replacements for the treatment of osteoarthritis of the knee based on patented technology developed at New York University School of Medicine.

Triple Ring Technologies

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

__Spectrum 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. and an avenue for high-end content providers to deliver their product OTA to more homes and, ultimately, mobile devices. HC2 Broadcasting's stations are interconnected to an internet protocol network backbone, which allows HC2 Broadcasting to monitor and operate the stations remotely, resulting in significant cost efficiencies.

As of December 31, 2020, HC2 Broadcasting operated approximately 221 stations, including 6 Full-Power stations, 49 Class A stations and 166 LPTV stations. HC2 Broadcasting stations are collectively able to broadcast over 1,500 sub-channels and reach 94 markets in the U.S. and Puerto Rico, including 34 of the top 35 markets. HC2B has approximately 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.

HC2 Broadcasting includes Azteca America,. Azteca America airs Spanish language programming targeting U.S. Hispanics. The majority of the network's programming is provided by TV Azteca, S.A.B. de C.V. ("TV Azteca"), Mexico's second largest broadcast network, under a multi-year Programming Licensing Agreement ("PLA"). As of December 31, 2020, Azteca America was carried on approximately 85 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, 2020, 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
		W02CY-D	LPTV Station
Los Angeles, CA	2	KSKJ-CD	Class A Station
		KHIZ-LD	LPTV Station
Chicago, IL	3	WPVN-CD	Class A Station
		W31EZ-D	LPTV Station
Philadelphia, PA	4	WPSJ-CD	Class A Station
		WZPA-LD	LPTV Station
		WDUM-LD	LPTV Station
		W25FG-LD	LPTV Station
Dallas - Ft. Worth, TX	5	KNAV-LP	LPTV Station
		KODF-LD	LPTV Station
		KHPK-LD	LPTV Station
		K07AAD-D	LPTV Station
		KPFW-LD	LPTV Station
		KJJM-LD	LPTV Station
San Francisco - Oakland - San Jose, CA	6	KEMO-TV	Full-Power Station
		KQRO-LD	LPTV Station
Houston, TX	8	KUGB-CD	Class A Station
		KUVM-CD	Class A Station
		KUVM-LD	LPTV Station
		KEHO-LD	LPTV Station
		KBMN-LD	LPTV Station
Boston, MA	9	WLEK-LD	LPTV Station
Atlanta, GA	10	WYGA-CD	Class A Station
		WDWW-LD	LPTV Station
		WUEO-LD	LPTV Station
		WUVM-LP	LPTV Station
Phoenix - Prescott, AZ	11	KPDF-CD	Class A Station
		K18JL-D	LPTV Station
		KTVP-LD	LPTV Station
Tampa - St Petersburg - Sarasota, FL	12	WXAX-CD	Class A Station
		WTAM-LD	LPTV Station
		W16DQ-D	LPTV Station

		W15CM-D	LPTV Station
Seattle, WA	13	KUSE-LD	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
		KMBD-LD	LPTV Station
		KMQV-LD	LPTV Station
		KWJM-LD	LPTV Station
		K28PQ-D	LPTV Station
Miami - Ft. Lauderdale, FL	16	W16CC-D	LPTV Station
Denver, CO	17	KRDH-LD	LPTV Station
Orlando - Daytona Beach - Melbourne, FL	18	WATV-LD	LPTV Station
		WFEF-LD	LPTV Station
Cleveland - Akron - Canton, OH	19	WUEK-LD	LPTV Station
		WQDI-LD	LPTV Station
		KONV-LD	LPTV Station
		WEKA-LD	LPTV Station
Sacramento - Stockton - Modesto, CA	20	KBTV-CD	Class A Station
		KFTY-LD	LPTV Station
		KFMS-LD	LPTV Station
		KAHC-LD	LPTV Station
		K04QR-D	LPTV Station
		KFKK-LD	LPTV Station
		KBIS-LD	LPTV Station
		K12XJ-D	LPTV Station
Charlotte, NC	21	W15EB-D	Class A Station
		WHEH-LD	LPTV Station
		WVEB-LD	LPTV Station
Portland, OR	22	KOXI-CD	Class A Station
St. Louis, MO	23	K25NG-D	Class A Station
		KBGU-LD	LPTV Station
		WODK-LD	LPTV Station
		KPTN-LD	LPTV Station
		W09DL-D	LPTV Station
		WLEH-LD	LPTV Station
Pittsburgh, PA	24	WWKH-CD	Class A Station
		WJMB-CD	Class A Station
		WMVH-CD	Class A Station
		WWLM-CD	Class A Station
		WKHU-CD	Class A Station
Indianapolis, IN	25	WUDZ-LD	LPTV Station
		WSDI-LD	LPTV Station
		WQDE-LD	LPTV Station
Baltimore, MD	26	WQAW-LP	LPTV Station
Raleigh - Durham - Fayetteville, NC	27	WIRP-LD	LPTV Station
		WNCB-LD	LPTV Station
Nashville, TN	28	WCTZ-LD	LPTV Station
		WKUW-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	KVDF-CD	Class A Station
		K17MJ-D	LPTV Station
		KSAA-LP	LPTV Station
		KOBS-LD	LPTV Station
		KISA-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
Milwaukee, WI	35	WTSJ-LD	LPTV Station
West Palm Beach - Ft. Pierce, FL	36	WWCI-CD	Class A Station
		WDOX-LD	LPTV Station
		WXOD-LD	LPTV Station
Las Vegas, NV	39	KNBX-CD	Class A Station
		KHDF-CD	Class A Station
		K36NE-D	Class A Station
		KEGS-LD	LPTV Station
		KVPX-LD	LPTV Station
Austin, TX	40	KGBS-CD	Class A Station
		KVAT-LD	LPTV Station
Jacksonville, FL	41	WODH-LD	LPTV Station
		WKBJ-LD	LPTV Station
		WRCZ-LD	LPTV Station
		WJXE-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	KWPL-LD	LPTV Station
		KQDF-LP	LPTV Station
New Orleans, LA	50	WTNO-LP	Class A Station
		WQDT-LD	LPTV Station
Buffalo, NY	52	WVTT-CD	Class A Station
		WWHC-LP	LPTV Station
Ft. Myers - Naples, FL	53	WGPS-LD	LPTV Station
Richmond - Petersburg, VA	54	WUDW-LD	LPTV Station
		WFWG-LD	LPTV Station
		WWBK-LD	LPTV Station
Fresno - Visalia, CA	55	K17JI-D	Class A Station
		KZMM-CD	Class A Station
Mobile, AL - Pensacola, FL	57	WWBH-LP	LPTV Station
		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
		KENH-LD	LPTV Station
		K23OW-D	LPTV Station
Des Moines - Ames, IA	68	KAJR-LD	LPTV Station
		KRPG-LD	LPTV Station
		KCYM-LD	LPTV Station
Omaha, NE	71	KAJS-LD	LPTV Station
		KQMK-LD	LPTV Station
Wichita - Hutchinson, KS	72	KFVT-LD	LPTV Station
Springfield, MO	73	KFKY-LD	LPTV Station
		KCNH-LD	LPTV Station
Charleston - Huntington, WV	74	WOCW-LD	LPTV Station
Rochester - Mason City - Austin, NY	76	WGCE-CD	Class A Station
Flint - Saginaw - Bay City, MI	77	W35DQ-D	LPTV Station
		WFFC-LD	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	KZCZ-LD	LPTV Station
		KAXW-LD	LPTV Station
Harlingen - Weslaco - Brownsville - McAllen, TX	83	KRZG-CD	Class A Station
		KAZH-LP	LPTV Station
		KNWS-LP	LPTV Station
Paducah, KY - Cape Girardeau, MO - Harrisburg, IL	84	W29CI-D	Class A Station
Champaign - Springfield - Decatur, IL	88	W23EW-D	LPTV Station
		WCQA-LD	LPTV Station
Savannah, GA	89	WUET-LD	LPTV Station
		WDID-LD	LPTV Station
Cedar Rapids - Waterloo - Iowa City, IA	90	KWKB	Full-Power Station
		KFKZ-LD	LPTV Station
Charleston, SC	91	WBSE-LD	LPTV Station
Chattanooga, TN	92	WYHB-CD	Class A Station
Baton Rouge, LA	94	K29LR-D	LPTV Station
		K27NB-D	LPTV Station
South Bend - Elkhart, IN	98	KPDS-LD	LPTV Station
Ft. Smith - Fayetteville - Springdale - Rogers, AR	101	KFLU-LD	LPTV Station
		KAJL-LD	LPTV Station
Boise, ID	102	K31FD-D	Class A Station
		KFLL-LD	LPTV Station
		KBKI-LD	LPTV Station
Augusta, GA - Aiken, SC	108	WIEF-LD	LPTV Station
Ft. Wayne, IN	110	WFWC-CD	Class A Station
		WCUH-LD	LPTV Station
		WODP-LD	LPTV Station
		W25FH-D	LPTV Station
		W30EH-D	LPTV Station
Tyler - Longview- Nacogdoches, TX	114	KCEB	Full-Power Station
		KPKN-LD	LPTV Station
		KDKJ-LD	LPTV Station
		KBJE-LD	LPTV Station
		KKPD-LD	LPTV Station
Yakima - Pasco - Richland - Kennewick, WA	118	K33EJ-D	Class A Station
Macon, GA	119	W28EU-D	LPTV Station
Montgomery - Selma, AL	122	WQAP-LD	LPTV Station
		WDSF-LD	LPTV Station
Lafayette, LA	123	K21OM-D	LPTV Station
Bakersfield, CA	125	KTLD-CD	Class A Station
		KXBF-LD	LPTV Station
Santa Barbara - San Luis Obispo, CA	126	KSBO-CD	Class A Station
		KQMM-CD	Class A Station
		KVMM-CD	Class A Station
		KDFS-CD	Class A Station
		KLDF-CD	Class A Station
		KZDF-LP	LPTV Station
Wilmington, NC	127	WQDH-LD	LPTV Station
Corpus Christi, TX	128	KYDF-LD	LPTV Station
		K21OC-D	LPTV Station
		K32OC-D	LPTV Station
		KCCX-LD	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	K24GP	LPTV Station
		KNKC-LD	LPTV Station
Topeka, KS	144	K35KX-D	LPTV Station
Joplin, MO - Pittsburg, KS	153	KRLJ-LD	LPTV Station
		KPJO-LD	LPTV Station
Biloxi-Gulfport, MS	155	W33EG-D	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
Puerto Rico	NA	WOST	Full-Power Station
		WQQZ-CD	Class A Station
		W20EJ-D	LPTV Station
		WWKQ-LD	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, 2020.

(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 Stamford, CT. A DTS installation is underway that will enable the station to broadcast from Manhattan, NY.

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

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. In a typical broadcast station revenue agreement, the owner of a station makes available, for a fee, airtime on a station subchannel to a third party. The third party broadcasts during that airtime and collects revenue from advertising aired during such content. Broadcast station revenue is recognized over the life of the contract. The fees charged 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 are recognized as revenue when the subsequent usage occurs.

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 the scatter market, advertisers buy advertising time close to 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 impression 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 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.

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 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 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.
- As of December 31, 2020, 203 operating stations are connected to HC2 Broadcasting's cloud-based IP backbone, can be operated and monitored remotely, allowing for substantial cost savings and operating efficiencies. In 2018, 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;
- 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;
- 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; and,
- As an anchor network tenant, Azteca America is distributed on the HC2 Broadcasting platform in 60+ markets.

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 enhanced picture and audio quality, mobility, addressability, increased capacity, and IP connectivity. ATSC 3.0 will offer a platform to merge linear programming and non-TV data services alongside OTA and over-the-top ("OTT"). Among the many emerging opportunities will be 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 will provide new emergency capabilities including advanced alerting functions which can relay evacuation routes and device wake-up features. Many of these features will be available to mobile devices.

Employees

As of December 31, 2020, HC2 Broadcasting employed approximately 58 people across the U.S.

See Note 22. Operating Segment and Related Information for additional detail regarding our Segment's operations and financial information.

Insurance Segment (Continental Insurance Group Ltd.)

CIG currently provides long-term care, life, annuity, and other accident and health coverage to approximately 124,000 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;
- Third party administration arrangements; and
- Strategically diversifying into other product lines.

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 and 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 124,000 lives.

Employees and Operations

As of December 31, 2020, CIG employed 144 people, the majority of whom are employed on a salaried basis with some on an hourly basis. Besides eleven remote employees working in various states, all other employees typically work out of the home office located in Austin, Texas. However, due to the COVID-19 pandemic, most employees are working remotely with the exception of certain essential workers remaining in the home office. 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.

Administrative Services Agreement

On December 24, 2015, 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. The majority of KIC’s insurance contracts are currently administered by these TPAs. CIG has assumed the administration for the KIC Life and Annuity blocks previously administered by one of these TPAs.

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 $524 million in active life reserves and $125 million in 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 13. 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 Texas Department of Insurance ("TDOI") to appoint CIG, an affiliate, as investment manager, effective April 1, 2020. The TDOI issued a "no action" letter dated May 14, 2020 with respect to the April 1, 2020 Investment Management Agreement. The CGIC Board of Directors has approved the extension of the current IMA for a six month period and notification has been given to the TDOI on February 26, 2021. The TDOI responded on March 1, 2021 expressing no concern with the extension request.

CIG entered into a new Investment Management Agreement with Goldman Sachs Asset Management, L.P. ("GSAM") dated December 23, 2020 to begin providing services no earlier than January 1, 2021. Approximately one-third of the portfolio will be managed by GSAM while the remaining two-thirds remains with the affiliate investment manager, CIG.

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. 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 as of December 31, 2020. 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.

Environmental Regulation and Laws

Our operations and properties, including those of DBMG, 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, 29th 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 in Item 10. Information relating to our Audit Committee and Audit Committee Financial Expert will be set forth in our 2021 Proxy Statement under the Caption "Board Committees" and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Summary of Risk Factors

Investing in our common stock involves a high degree of risk. These risks are discussed more fully below and include, but are not limited to, the following, any of which could have a material adverse effect on our financial condition, results of operations and cash flows:

Risks Related to the COVID-19 Pandemic

- The COVID-19 pandemic and its effects on our liquidity, business, financial condition and results of operations.

Risks Related to Our Businesses

- The ability of our subsidiaries to make distributions, our principal source of revenue
- Our levels of indebtedness, financing arrangements and other obligations
- Restrictive covenants in our debt and preferred stock instruments
- Ability to meet working capital requirements
- Dependence on key personnel and ability to attract and retain skilled personnel
- Any identified material weaknesses in our internal controls
- Foreign exchange rate volatility
- Changes in United States trade policy
- Impact of competition on our business
- Impact of any potential future acquisitions and ability to manage future growth and the incurrence of substantial costs in connection with acquisitions
- Cyber-attacks and other privacy or data security incidents
- Stability and security of our information technology systems
- Ability to fully utilize net operating loss and other tax carryforwards
- Presentation of corporate opportunities by certain current and former directors and officers and the impact of related party transactions
- Our status as a non-investment company
- Impact of potential litigation
- Deterioration of global economic conditions and the impact of operating globally
- Impact of Brexit

- Compliance costs related to our acquired businesses
- Ability of our development stage companies to produce revenues or income
- Adverse tax impact of our acquisitions or dispositions
- Lack of sole control in joint venture investments
- Ability to protect our intellectual property
- Potential dilution of our current stockholders
- Status as a “smaller reporting company”
- Impact of our recently reconstituted board and change in management

Risks Related to the Infrastructure segment

- Unpredictability in timing of DBMG’s construction contracts and payments thereunder
- Impact of construction contract pricing terms, including fixed-price and cost-plus pricing
- Termination or cancellation of construction projects
- Increased concentration of construction projects in backlog
- Ability to realize revenue value reported in backlog
- Ability to meet contractual schedule or performance requirements
- Modification or termination of government contracts
- Reliability of subcontractors and third-party vendors
- Volatility in the supply and demand for steel and steel components
- Dependability of steel component suppliers
- Intense competition in construction markets
- Ability of customers to receive applicable regulatory and environmental approvals
- Impact of failure to obtain or maintain required licenses
- Impact of bonding and letter of credit capacity
- Variability in liquidity over time
- Exposure to professional liability, product liability, warranty and other claims
- Impact of environmental compliance costs
- Labor disruptions that would interfere with operations.
- Ability to maintain safe work environment

Risks related to our Spectrum segment

- Effectiveness of our operations in a highly competitive market
- Impact of FCC regulations, including with respect to broadcasting licenses, or Congressional legislation

Risks Related to the Insurance Segment

- Ability to attract and retain quality personnel
- Variability of statutory capital required to be held
- Ability of management to make good assumptions and accurate estimates
- Variability in timing and amount of policy claims
- Inability to increase premiums on in-force long-term care insurance policies
- Impact of legal restrictions and regulations
- Adverse developments for our reinsurers
- Impact of assumptions on fair value and future performance of investments from actual experience.
- Interest rate fluctuations
- Impact of financial disintermediation
- Impact of credit spreads
- Ability to successfully diversify investment portfolio
- Impact of any potential litigation or law enforcement or regulatory investigations
- Dependence on the performance of others under the Administrative Services Agreement
- Availability of growth capital
- Impact of evolving accounting rules
- Any catastrophes, pandemics and malicious and terrorist acts
- Impact of decreases in the fair value of fixed maturity securities
- Unanticipated increases in policyholder withdrawals or surrenders

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.

To the extent that the COVID-19 pandemic adversely affects the Company's business, financial condition, results of operations, cash flows and liquidity, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to the Company's level of indebtedness, its ability to comply with the financial covenants contained in the agreements that govern the Company's indebtedness and volatility of the Company's common stock price.

Risks Related to the COVID-19 Pandemic

Our business, operating results and financial condition may be adversely impacted by COVID-19.

We are monitoring and continue to assess the ongoing effects of the COVID-19 pandemic on our businesses and operations. We operate in a number of industries and geographies that are expected to be impacted materially by the COVID-19 pandemic. The scope of the effects of the COVID-19 pandemic and its related economic impact on our businesses depends on many factors beyond our control, and the effects are difficult to assess or predict with meaningful precision both generally and specifically as to our businesses. While the full extent to which the COVID-19 pandemic may adversely impact our results is uncertain, the adverse impact of the COVID-19 pandemic may be material to our businesses.

The pandemic has resulted in a widespread health crisis that is adversely affecting the economies and financial markets of many countries. During the COVID-19 pandemic and even after it has subsided, the Company may continue to experience adverse impacts to the Company's business as a result of the pandemic's global economic impact, including any recession, economic downturn, government spending cuts, tightening of credit markets or increased unemployment that has occurred or may occur in the future, which could cause our ultimate customers and potential customers to postpone or reduce spending on our products or put downward pressure on prices. In addition, the illness, incapacitation or death due to COVID-19 of any key personnel of our businesses can have a material impact on our financial condition and results of operations.

Many governments have implemented policies intended to stop or slow the further spread of COVID-19, such as shelter-in-place orders, travel bans, declarations of states of emergency, business closures, manufacturing and other commercial restrictions and closure of schools and non-essential businesses, and these measures may remain in place for a significant period of time.

The Company's top priority is to protect our employees and their families, and those of the Company's customers. The Company is taking precautionary measures as directed by health authorities and the local government, including changing operational procedures as necessary, providing additional protective gear and cleaning to protect them, which has resulted and may continue to result in disruptions to and increased costs of the Company's operations.

Individually and collectively, the consequences of the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, cash flows and liquidity. The extent to which the COVID-19 pandemic ultimately impacts the Company's business, financial condition, results of operations, cash flows, and liquidity may differ from management's current estimates due to inherent uncertainties regarding the duration and further spread of the outbreak, its severity, actions taken to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

Infrastructure Segment

DBMG is dependent on its workforce to carry out its services. Developments resulting from governmental responses to COVID-19, such as social distancing and shelter-in-place directives, have impacted, and will continue to impact, DBMG's ability to deploy its workforce in its facilities and project sites efficiently. The nature of DBMG's business does not permit alternative workforce arrangements in its facilities and project sites such as remote work schemes to be implemented effectively, and as a result of potential workforce disruptions, DBMG may experience delays or suspensions of projects. During the year ended December 31, 2020, $19.4 million COVID-19 related expenses were incurred. DBMG may also experience disruptions in the supply chain depending on the spread of COVID-19 and related governmental orders. These delays, suspensions, and impacts to supply chain, may negatively impact DBMG's results of operations, cash flows or financial condition. likely will cause the timing of revenue and possibly impact earnings and backlog. Persistent delays, suspensions or cancellations of projects under contract may occur while governments implement policies designed to respond to the COVID-19 pandemic. Any such continued loss or suspension of projects under contract may negatively impact the DBMG's results of operations, cash flows or financial condition.

Life Sciences Segment

Our Life Sciences segment may be adversely disrupted by the effects of the COVID-19 pandemic. For example, requirements to implement COVID-19 operational measures at clinical trial sites may result in clinical studies in some locations being delayed. Such delays may slow progress towards regulatory clearances and approval of our products in the U.S. and globally. In addition, stay-in-place orders of governmental authorities have impacted the ability of our employees to continue to conduct research and development activities despite our work-from-home policies. Disruptions in our labor force and in the labor force of our suppliers may also lead to delays in our manufacturing scale up, which in turn could result in delays in our product launch plans and ultimate customer adoption of our products. In the event that we are unable to achieve anticipated regulatory clearances or commence certain clinical trials in a timely manner due to the ongoing pandemic, we could fail to achieve the final milestones under our stock purchase agreements with Hangzhou Huasheng Investment Management Co., Ltd. ("Hangzhou") which in turn could result in Hangzhou determining not to purchase the final $15.0 million of preferred stock for MediBeacon, and our inability to continue our operations.

The ultimate impact of the COVID-19 pandemic on the business operations of our Life Science segment is highly uncertain and subject to change and will depend on future developments, which cannot be accurately predicted, including the duration of the pandemic, additional or modified government actions, new information that will emerge concerning the severity and impact of COVID-19 and the actions taken to contain or address its impact in the short and long term, among others.

Spectrum Segment

Our Spectrum segment has been, and may continue to be, impacted by the COVID-19 pandemic in numerous ways. Spectrum is dependent on advertising revenue, and numerous advertisers have reduced or suspended their purchase of television advertising time, primarily due to the cessation of local consumer business activity mandated by state governors. Many of the top industries that are heavy television advertisers have suffered from these business shut downs, including the significant industry sectors relating to travel, entertainment and theme parks, auto sales, all consumer retail, casual dining and quick serve restaurants. We may also be indirectly impacted by the slow-down in television advertising by our spectrum lease clients. These clients pay us lease fees to air their programming on our television stations, and many of them rely on advertising revenue from those television stations to pay such spectrum lease fees. Losses in our clients' advertising revenue could expose us to consequential loss of broadcast station revenue.

In addition, the COVID-19 pandemic has slowed down our ability to build out our additional television stations. Illness, social distancing, and other pandemic-related precautions have resulted in equipment delivery delays and labor shortages, including the availability of tower crews, an already limited, highly-specialized and thinly-stretched work force necessary to install our broadcast antennas and related equipment. We depend on operational stations for our revenue, and delays in completing our station builds will directly result in delays in monetizing those stations.

Our ability to refinance our short term debt may be compromised to the extent COVID-19 disrupts our access to the high-yield debt markets.

Insurance Segment

Our Insurance segment may incur increased losses under insurance policies that it has written including group life insurance, individual life insurance, and annuities, which may result in increased death claims due to COVID-19 mortality. Our Insurance segment has not written or does not retain any risk for workers' compensation, short-term disability, general liability, surety, director and officer liability, and employment practices liability which are key insurance liabilities that may be directly impacted by COVID-19.

Our Insurance segment does not actively issue or market new policies, therefore there is no potential disruptions to brokers or agents that would have an impact on operations.

In addition, our insurance segment relies on timely collections of premiums due from our customers. Regulatory requirements applicable to our Insurance segment to extend premium grace periods (e.g., FL Memorandum OIR – 20-04M), potential delays in obtaining rate increase approvals for the long-term care liabilities, and increased demands for cash surrender values for life and annuity liabilities may negatively impact our cash flows and result of operations.

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, 2020, we had $27.5 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 $340.4 million in aggregate principal amount of 11.50% 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 is a borrower 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, 2020, our total outstanding indebtedness was $561.5 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 attributable to HC2 of $92.0 million in 2020 and net loss attributable to HC2 of $31.5 million in 2019, 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 $41.7 million in 2020 and $110.7 million in 2019.

We are dependent on Wayne Barr, Jr., our President and Chief Executive Officer, 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 Wayne Barr, Jr., our President and Chief Executive Officer ("CEO"), who has served as a director of HC2 since January 2014, as Lead Director during March 2020, as interim CEO from June 2020 to November 2020 and as President and CEO of HC2 since November 2020, 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.

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 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, 2020 and 2019, 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. 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.

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, HC2 Broadcasting, and the Insurance Company,.

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.

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 net operating loss ("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. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), enacted in the second quarter of 2020, temporarily reverses or modifies some of the changes made by the TCJA. The CARES Act provides businesses with the ability to amend returns to carry back NOLs and permits such NOLs to fully offset taxable income. In addition, the CARES Act temporarily increases the Section 163(j) limitation.

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.

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.

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. 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 160,000,000 shares of common stock and 20,000,000 shares of preferred stock.

As of December 31, 2020, HC2 has 77,836,586 issued and 76,726,835 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, 2020, the holders of our outstanding preferred stock had certain rights to convert their Preferred Stock into approximately 2.6 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.

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.

Our newly reconstituted Board and change in executive management may not result in growth of our business or enhance stockholder value.

Our executive management team is critical to the overall management of the Company and also plays a key role in maintaining our culture and setting our strategic direction. Recent changes in our executive management team and composition of the Board, and any related speculation and uncertainty regarding our future business strategy and direction, may cause or result in: disruption of our business and operations; difficulty recruiting, hiring, motivating and retaining talented and skilled personnel; departures of other members of management; increased stock price volatility; and difficulty in establishing, maintaining or negotiating business or strategic relationships or transactions. On May 14, 2020, the Company announced a settlement agreement with MG Capital Management, Ltd. to reconstitute the Board as a result of ongoing engagement with stockholders. On June 11, 2020, the Company announced that the Board had appointed Wayne Barr, Jr. as interim Chief Executive Officer. On November 30, 2020 the Company announced that the Board appointed Mr. Barr as permanent Chief Executive Officer effective as of November 25, 2020.

Risks Related to the Infrastructure 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 $141.8 million, representing 35.9%, of DBMG's backlog at December 31, 2020 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, 2020, DBMG's backlog was $394.5 million, consisting of $334.9 million under contracts or purchase orders and $59.6 million under letters of intent or notices to proceed. Approximately $141.8 million, representing 35.9% of DBMG's backlog at December 31, 2020, 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 28% of DBMG's employees are covered under collective bargaining agreements that expire in less than one year, at which time they will be 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 our Spectrum 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 2020 expanded HC2 Broadcasting's network to 221 operational stations. In addition, Spectrum 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.

Spectrum'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 Spectrum'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 51 pending renewal applications at the end of 2020, and will have 75 applications due in 2021. 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, which 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.

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 would have been 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 would have been required before any obligation existed to the Seller Parties under the earn-out. The obligation to the Seller Parties expired without payment with the conclusion of the December 31, 2019 financial reporting.

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 or compressing 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.

In 2019, the Insurance segment generated sufficient current year income to come out of a cumulative loss position and to release the valuation allowance against its beginning of year deferred tax assets. In addition, the Insurance segment continues to be in a cumulative gain position through December 31, 2020 and has 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.

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.

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; Beyond6 is headquartered in Saratoga Springs, NY, and leases land for fueling stations across the U.S., HC2 Broadcasting is headquartered in New York, New York and CGI is headquartered in Austin, Texas. As of December 31, 2020, total leased space approximates 357,422 square feet, and land leased for fueling stations of 1,283,893 square feet. See Note 16. Leases for annual lease costs. The Company has entered into operating and finance lease agreements primarily for land, office space, equipment and vehicles, expiring between 2021 and 2045. The operating leases expire at various times, with the longest commitment expiring in 2045. In addition, Beyond6 and DBMG own operational facilities and sales offices throughout the United States totaling approximately 5,625,591 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 Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for its Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Condensed Consolidated Financial Statements.

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

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.

Fair Value Investments Litigation

On October 1, 2020, Fair Value Investments Incorporated ("FVI") filed a putative stockholder class action and derivative complaint in the Delaware Court of Chancery against HC2 and certain of DBMG's current and former officers and directors, including current and former HC2 officers and directors AJ Stahl, Kenneth S. Courtis, Robert V. Leffler, Jr., Philip A. Falcone, Michael J. Sena, and Paul Voigt (together with HC2, the "HC2 Defendants") styled Fair Value Investments Incorporated v. Roach, et al., C.A. No. 2020-0847-JTL (Del. Ch.) (the "FVI Action"). In the FVI Action, FVI alleges that HC2, in its capacity as DBMG's controlling stockholder, and DBMG's current and former officers and directors breached their fiduciary duties to DBMG and DBMG's minority stockholders by approving certain transactions that allegedly provide disproportionate benefits to HC2. FVI challenges the following transactions: (i) DBMG's payments to HC2 from 2016–present pursuant to a Tax Sharing Agreement between DBMG and HC2; (ii) DBMG acting as a guarantor or providing collateral for loans taken on by HC2; (iii) DBMG's issuance of dividends to its common and preferred stockholders in 2017–2020; (iv) DBMG's issuance of preferred stock to HC2 to finance DBMG's 2018 acquisition of GrayWolf Industrial; and (v) HC2's appointment of directors to DBMG's board of directors by written consent in lieu of holding an annual stockholder meeting. On February 23, 2021, FVI filed an Amended Verified Stockholder Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, FVI named two additional defendants: HC2's Chief Executive Officer, Wayne Barr, and DBMG's General Counsel, Scott D. Sherman. The Amended Complaint includes additional fact allegations in support of the largely similar claims raised in the original complaint. Defendants expect to file a motion to dismiss the Amended Complaint in early April. HC2 believes the allegations in the FVI Amended Complaint are without merit and the HC2-related defendants have filed a motion to dismiss the complaint, which continues to be pending. HC2 intends to vigorously defend this litigation.

OSHA Complaint

On November 4, 2020, the Company received notice that a complaint was filed on August 27, 2020 with the U.S. Department of Labor ("DOL") (OSHA Complaint Number 2-4173-20-156), by a former employee of Continental Insurance Group Ltd. alleging retaliatory employment practices in violation of the whistleblower provisions of the Sarbanes-Oxley Act. The Company submitted a position statement to the DOL denying the material allegations in the complaint. The DOL has not issued a determination.

Separation from Philip A. Falcone

The Company has engaged in ongoing negotiations with Philip A. Falcone, the former Chairman, President and Chief Executive Officer of the Company, regarding his separation. Mr. Falcone rejected the Company’s most recent severance offer, and on December 18, 2020, Mr. Falcone filed a demand for arbitration against the Company with the American Arbitration Association. The Company contends that the claims in Mr. Falcone’s demand are without merit and that the Company has both factual and legal defenses. In addition, Mr. Falcone made two books and records demands of the Company, which the Company has denied, including in light of the fact that Mr. Falcone is no longer a director of the Company.

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 December 31, 2020, HC2 had approximately 4,735 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 2020 or 2019, 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 contains similar covenants applicable to DBMG. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources and Note 15. 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, 2020.

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 five operating platforms or reportable segments: Infrastructure ("DBMG"), Life Sciences ("Pansend"), Spectrum, Insurance ("CIG"), and Other, which includes businesses that do not meet the separately reportable segment thresholds.

Certain previous year amounts have been reclassified to conform with current year presentations, including:

- The recasting of GMSL's, ICS's, and Beyond6's results to discontinued operations. Further, the reclassification of prior period assets and liabilities have been classified as held for sale;
- As a result of the sale of GMSL, ICS, and Beyond6, and in accordance with Accounting Standards Codification ("ASC") 280, the Company no longer includes the results of operations and balance sheets of these entities as separate segments. These entities and our investment in HMN have been reclassified to the Other segment.
- The recasting of Earnings Per Share ("EPS") in the prior period, as a result of the discontinued operations noted above. This includes presenting EPS for Net (loss) income from continuing operations, Net (loss) income from discontinuing operations, and Net (loss) income.

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. Our volume of business in our Infrastructure segment 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.

Recent Developments

COVID-19 Impact on our Business

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") pandemic resulting in action from federal, state and local governments that has significantly affected virtually all facets of the U.S. and global economies. The U.S. federal and various state governments, have implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak.

The Company's top priority is to protect its employees and their families, and those of the Company's customers. The Company continues to take precautionary measures as directed by health authorities and the local government, including changing operational procedures as necessary, providing additional protective gear and cleaning to protect them, which has resulted and may continue to result in disruptions to and increased costs of the Company's operations. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, vendors, and suppliers. Work-from-home and other measures introduce additional operational risks, including cybersecurity risks, and have affected the way we conduct our operations. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions.

The extent of the impact of COVID-19 on our operational and financial performance will depend on future developments, including, but not limited to, the duration and spread of the outbreak, the outbreak of any new strains of the coronavirus, and related travel advisories and restrictions, and its impact to the U.S. and global financial markets, all of which are highly uncertain and cannot be predicted. Preventing the effects from and responding to this market disruption if any other public health threat, related or otherwise, may further increase costs of our business and may have a material adverse effect on our business, financial condition, and results of operations.

We continue to monitor the evolving situation and guidance from authorities, including federal, state and local public health departments, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our plans. As such, given the dynamic nature of this situation, we cannot reasonably estimate the impact of COVID-19 on our results of operations, financial condition, or cash flows in the future. However, we do expect that it could have a material adverse impact on our future revenue growth as well as our overall profitability and may lead to revised payment terms with certain of our customers.

During the year ended December 31, 2020, the effects of COVID-19 and the related actions undertaken in the U.S. to attempt to control its spread, specifically impacted certain of our segments as follows:

Infrastructure

DBMG is dependent on its workforce to carry out its services. Developments resulting from governmental responses to COVID-19 such as social distancing and shelter-in-place directives have impacted, and will continue to impact, DBMG's ability to deploy its workforce in its facilities and project sites efficiently. The nature of DBMG's business does not permit alternative workforce arrangements in its facilities and project sites such as remote work schemes to be implemented effectively, and as a result of potential workforce disruptions, DBMG may continue to experience delays or suspensions of projects. DBMG has incurred significant costs related to additional procedures to maintain COVID-19 related safety measures. During the year ended December 31, 2020, $19.4 million of COVID-19 related expenses were incurred. DBMG may also experience disruptions in the supply chain depending on the spread of COVID-19 and related governmental orders. These delays, suspensions, and impacts to supply chain may negatively impact DBMG's results of operations, cash flows or financial condition. This could cause the timing of revenue to be delayed and possibly impact earnings and backlog. Persistent delays, suspensions or cancellations of projects under contract may occur while governments implement policies designed to respond to the COVID-19 pandemic. Any such continued loss or suspension of projects under contract may negatively impact the DBMG's results of operations, cash flows or financial condition.

Spectrum

As a result of COVID-19, our Spectrum segment has experienced adverse effects on its advertising business because of weakness in the advertising market as advertisers seek to reduce their own costs in response to the pandemic's impact on their businesses. We are not able to predict when or whether advertising budgets and the advertising market generally will return or be comparable to historical levels.

In addition, COVID-19 could impact our Spectrum segment's business, financial condition and results of operations in a number of other ways, including, but not limited to:

- negative impact on our broadcast station revenue, as many of our customers also rely on advertising revenues and might be negatively affected by COVID-19;
- slow-down of our ability to build out additional broadcast television stations, as illness, social distancing, and other pandemic-related precautions may result in equipment delivery delays and labor shortages, including the availability of tower crews, an already limited, highly-specialized work force necessary to install broadcast equipment;
- negative impact on our network distribution revenues, as consumers may seek to reduce discretionary spending by cutting back or foregoing subscriptions to cable television or other multichannel video programming distributors;
- negative impact on our financial condition or our ability to fund operations or future investment opportunities due to an increase in the cost or difficulty in obtaining debt or equity financing, or refinancing our debt in the future, or our ability to comply with our covenants;
- impairments of our programming inventory, goodwill and other indefinite-lived intangible assets, and other long-lived assets; and
- increased cyber and payment fraud risk, as cybercriminals attempt to profit from the disruption, given increased online activity.

The magnitude of the impact on our Spectrum segment will depend on numerous evolving factors that we may not be able to accurately predict, including the duration and extent of the pandemic, the impact of federal, state, local and foreign governmental actions, consumer behavior in response to the pandemic and such governmental actions, and the economic and operating conditions that we may face in the aftermath of COVID-19. Even after COVID-19 has subsided, we may experience materially adverse impacts to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future.

For further discussion regarding the potential future impacts of COVID-19 and related economic conditions on the Company's liquidity and capital resources, see "Part I-Item 1A-Risk Factors."

Insurance

Our Insurance segment has been impacted by the COVID-19 pandemic, including multiple reductions in target interest rates by the Board of Governors of the Federal Reserve System, and significant market volatility, driving actual and projected results of our business operations as well as our views on potential effectiveness of certain prudent and feasible tax planning strategies. The Company's December 31, 2020 results reflected in earnings are primarily impacted by the Insurance segment's net unrealized losses on investments of $6.5 million, included in the Net realized and unrealized gains (loss) on investments line, primarily driven by preferred stock mark to market adjustments. The impact on other comprehensive income was $244.1 million of unrealized gain on fixed maturity securities at December 31, 2020, a significant improvement as compared to prior quarter results, which reflected $355.5 million of unrealized loss at March 31, 2020, $9.2 million of unrealized gain at June 30, 2020, and $91.2 million of unrealized gain at September 30, 2020. The unrealized gains and losses were largely attributable to market factors caused by the COVID-19 crisis. The unrealized gains and losses are considered temporary in nature, as we have the ability to hold these securities to maturity.

Acquisitions and Dispositions

Other

Sale of GMSL

On January 30, 2020, the Company announced that, through its indirect subsidiary GMH in which the Company holds an approximately 73% controlling interest, the Company 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 was $250.0 million, subject to customary purchase price adjustments, working capital adjustments, and a potential earn-out of up to $12.5 million at such time, if any, if 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 Share Purchase Agreement contains customary representations, warranties and covenants for a transaction of this nature. In connection with the closing of the transaction, the purchaser deposited (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, the purchaser shall pay an amount equal to $2.4 million on the earlier of December 31, 2020 and the date on which a cash collateralized bonding facility is released.

The transaction closed on February 28, 2020. GMH received approximately $144.0 million of net proceeds from the sale, of which $36.8 million and $5.5 million were paid to noncontrolling interest holders and redeemable noncontrolling interest holders, respectively. HC2 received net proceeds of approximately $100.8 million.

At the time of the sale, the Company recorded a $39.3 million loss, inclusive of recognizing a $31.3 million loss from the realization of AOCI. During the fourth quarter of 2020, the Company recognized a gain on sale of $2.4 million c noted above.

Sale of HMN

On October 30, 2019, the Company announced the sale of its stake in HMN, its 49% joint venture with Huawei Technologies Co., Ltd., to Hengtong Optic-Electric Co Ltd. The sale valued HMN at $285.0 million, and GMH's 49% stake, through New Saxon, at approximately $140.0 million.

Under the terms of the Sale and Purchase Agreement, the sale of New Saxon's 49% interest in HMN will be affected in two tranches. The sale of the portion of New Saxon's 30% interest of HMN, closed on May 12, 2020 (the "First HMN Close"). The remaining 19% interest of HMN is retained by New Saxon and subject to a put option agreement by New Saxon, exercisable starting on the second year anniversary of the closing date of the First HMN Close at a price equal to the greater of the share price paid for the 30% interest or fair market value as of the exercisable date.

In conjunction with the first tranche of the sale, the Company received $85.5 million in cash, of which $17.5 million and $2.1 million were paid to noncontrolling interest holders and redeemable noncontrolling interest holders, respectively. New Saxon recorded a $71.1 million gain, included in Other income (loss) in the Condensed Consolidated Statements of Operations. The gain recognized includes $11.3 million related to the fair value of the put option. In addition, the Company recorded a $7.2 million tax expense related to a foreign tax payment when the first tranche closed.

Sale of ICS

The sale of ICS and its subsidiary, Go2 Tel, Inc., closed on October 31, 2020. The Company recorded a $0.9 million gain on the sale. Proceeds were used for general corporate purposes.

Sale of Beyond6

On December 31, 2020, the Company announced a plan to sell Beyond6 to an affiliate of Mercuria Investments US, Inc., pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Beyond6, Greenfill, Inc., a Delaware Corporation ("Parent"), Greenfill Merger Inc., a newly-formed Delaware corporation and wholly-owned subsidiary of the Parent, and an affiliate of HC2 as the Stockholder Representative for the Beyond6 stockholders. The sale closed on January 15, 2021

Debt Obligations

Spectrum

In February 2020, Spectrum amended its agreement governing its privately placed note funded by MSD Partners, L.P., increasing the principal balance to $39.3 million. The proceeds were used to repay principal and interest on existing debt.

In August 2020, Spectrum modified its agreement with MSD Partners, L.P. and Great American Life Insurance Company to extend the maturity on its privately placed notes to October 2021.

In September 2020, Spectrum amended its agreement governing its privately placed note funded by MSD Partners, L.P., increasing the principal balance by $4.0 million to $43.3 million. The proceeds were used to repay principal and interest on existing debt and for general business purposes.

In November 2020, Spectrum paid down $2.9 million of its 8.50% Note due 2021 and $3.0 million on other various notes.

In December 2020, Spectrum paid down $21.0 million and $9.6 million of its 8.5% Note due 2021 and 10.5% Note due 2021, respectively.

Non-Operating Corporate

In March 2020, with the cash proceeds from the sale of GMSL, HC2 fully repaid its $15.0 million secured revolving line of credit with MSD PCOF Partners IX, LLC (the "2019 Revolving Credit Agreement"). HC2 recognized $0.4 million in extinguishment loss related to the repayment of the 2019 Revolving Credit Agreement, which is included in Loss on early extinguishment or restructuring of debt in our Consolidated Statement of Operations.

In March 2020, HC2 entered into a new $15.0 million secured revolving credit agreement (the “2020 Revolving Credit Agreement”). The 2020 Revolving Credit Agreement matures in September 2021. Loans under the 2020 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 and May 2020, HC2 drew $10.0 million and $5.0 million of the 2020 Revolving Credit Agreement, respectively. The Company used the proceeds for general corporate purposes.

In March 2020, with the cash proceeds from the sale of GMSL, HC2 redeemed $76.9 million of its 11.50% senior secured notes due 2021 (the "Senior Secured Notes") at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $5.4 million in extinguishment loss related to the redemption of its Senior Secured Notes, which is included in Loss on early extinguishment or restructuring of debt in our Consolidated Statement of Operations.

In June 2020, with the cash proceeds from the partial sale of New Saxon's interest in HMN, HC2 redeemed $50.6 million of its Senior Secured Notes at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $3.4 million in extinguishment loss related to the this redemption, which is included in Loss on early extinguishment or restructuring of debt in our Consolidated Statement of Operations.

In October 2020, HC2 redeemed an additional $2.1 million of its Senior Secured Notes at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $0.1 million in extinguishment loss related to the this redemption, which is included in Loss on early extinguishment or restructuring of debt in our Consolidated Statement of Operations.

Pansend

In April 2020, R2 received $10.0 million in funding from Huadong Medicine Company Limited as part of Huadong's $30 million Series B equity investment in R2. These funds are being used to commercialize R2's CryoAesthetic technology which provides physicians a new way to lighten, brighten and rejuvenate skin. This investment represents the second tranche of Huadong's investment at an approximate post-money valuation of $90.0 million and reduces Pansend's ownership by 7.8% to 56.1%.

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, 2020 as compared to the year ended December 31, 2019.

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,		
	2020	2019	Increase / (Decrease)
Net revenue			
Infrastructure	$ 676.6	$ 713.3	$ (36.7)
Spectrum	40.3	41.8	(1.5)
Insurance	300.2	331.6	(31.4)
Other	—	0.5	(0.5)
Eliminations [(1)]	(11.3)	(10.2)	(1.1)
Total net revenue	1,005.8	1,077.0	(71.2)
(Loss) income from operations			
Infrastructure	$ 20.5	$ 45.1	$ (24.6)
Life Sciences	(16.9)	(8.9)	(8.0)
Spectrum	(2.2)	(11.4)	9.2
Insurance	35.6	37.3	(1.7)
Other	(2.8)	(1.6)	(1.2)
Non-operating Corporate	(27.0)	(25.0)	(2.0)
Eliminations [(1)]	(11.3)	(10.2)	(1.1)
Total (loss) income from operations	(4.1)	25.3	(29.4)
Interest expense	(79.4)	(76.1)	(3.3)
Loss on early extinguishment or restructuring of debt	(9.4)	—	(9.4)
(Loss) income from equity investees	(3.4)	1.6	(5.0)
Gain on bargain purchase	—	1.1	(1.1)
Other income	68.5	6.3	62.2
Loss from continuing operations	(27.8)	(41.8)	14.0
Income tax benefit (expense)	(10.5)	19.6	(30.1)
Loss from continuing operations	(38.3)	(22.2)	(16.1)
Loss from discontinued operations (including loss on disposal of $44.2 million)	(63.8)	(13.9)	(49.9)
Net loss	(102.1)	(36.1)	(66.0)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	10.1	4.6	5.5
Net loss attributable to HC2 Holdings, Inc.	(92.0)	(31.5)	(60.5)
Less: Preferred dividends, deemed dividends, and repurchase gains	3.6	—	3.6
Net loss attributable to common stock and participating preferred stockholders	$ (95.6)	$ (31.5)	$ (64.1)

[(1)] The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2020 and 2019, 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, 2020 decreased $71.2 million to $1,005.8 million from $1,077.0 million for the year ended December 31, 2019. The decrease in revenue was driven by our Infrastructure segment, primarily driven by lower revenues from our structural steel fabrication and erection business, and our Insurance segment, net of eliminations, largely driven by lower net investment income and unfavorable market movements in values for common and preferred stock holdings and fixed maturity impairments.

(Loss) income from operations: (Loss) income from operations for the year ended December 31, 2020 decreased $29.4 million to a loss of $4.1 million from income of $25.3 million for the year ended December 31, 2019. The decrease is attributable to our Infrastructure segment due to lower revenues from our structural steel fabrication and erection business and our Life Sciences segment driven by R2, which increased spending in the current period to support commercialization efforts and further develop its product platform. This was partially offset by a decrease in loss at our Spectrum segment related to cost reductions at Network and gains recognized on the sale of broadcast stations in the current period.

Interest expense: Interest expense for the year ended December 31, 2020 increased $3.3 million to $79.4 million from $76.1 million for the year ended December 31, 2019. The increase was attributable to an increase in the aggregate principal amount of debt at our Spectrum segment.

Loss on early extinguishment or restructuring of debt: Loss on early extinguishment or restructuring of debt for the year ended December 31, 2020 was $9.4 million. This was driven by the write-off of deferred financing costs and original issuance discount related to the $15.0 million pay down of the 2019 Revolving Credit Agreement and the $129.5 million of redemptions of the Senior Secured Notes during 2020.

(Loss) income from equity investees: (Loss) income from equity investees for the year ended December 31, 2020 decreased $5.0 million to a loss of $3.4 million from income of $1.6 million for the year ended December 31, 2019. The decrease was driven by a decrease in income for the HMN investment, driven by the timing of turnkey project work and the reduction of ownership from 49% to 19% during 2020, and an increase in losses recorded from our investment in MediBeacon due to the timing of clinical trials.

Gain on bargain purchase: Gain on bargain purchase for the year ended December 31, 2020 decreased $1.1 million to zero from $1.1 million for the year ended December 31, 2019. The change relates to a gain recognized in 2019 due to a purchase price allocation adjustment related to the Insurance segment's acquisition of KIC in 2018.

Other income: Other income for the year ended December 31, 2020 increased $62.2 million to $68.5 million from $6.3 million for the year ended December 31, 2019. The increase was primarily driven by the gain recognized on the partial HMN Sale, which closed during the second quarter of 2020.

Income tax benefit (expense): Income tax benefit (expense) was an expense of $10.5 million and a benefit of $19.6 million for the year ended December 31, 2020 and 2019, respectively. The income tax expense recorded for the year ended December 31, 2020 primarily relates to tax expense incurred in China from the partial sale of HMN and the tax expense as calculated under ASC 740 for taxpaying entities, offset by a tax benefit from the carryback of net operating losses at the Insurance segment as a result of the enactment of the CARES Act in the first quarter of 2020. 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.

The income tax benefit recorded for the year ended December 31, 2019 was $19.6 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.

Preferred dividends, deemed dividends, and repurchase gains: Preferred dividends, and deemed dividends, and repurchase gains for the year ended December 31, 2020 was $3.6 million compared to zero for the year ended December 31, 2019. The decrease was largely driven by the issuance of Series B Non-Voting participating Convertible Preferred Shares (the "Series B Preferred Stock") in September and November 2020, which were issued with a $2.0 million Beneficial Conversion feature. In addition, in the prior year, the Insurance segment purchased 10,000 shares of the Company's Series A-2 Preferred Stock at a $1.7 million discount.

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).

Infrastructure Segment

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Net revenue	$ 676.6	$ 713.3	$ (36.7)
Cost of revenue	566.2	572.3	(6.1)
Selling, general and administrative	79.1	79.8	(0.7)
Depreciation and amortization	10.7	15.5	(4.8)
Other operating (income) expense	0.1	0.6	(0.5)
Income from operations	$ 20.5	$ 45.1	$ (24.6)

Net revenue: Net revenue from our Infrastructure segment for the year ended December 31, 2020 decreased $36.7 million to $676.6 million from $713.3 million for the year ended December 31, 2019. 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, as well as a decrease in power and industrial maintenance and repair work performed.

Cost of revenue: Cost of revenue from our Infrastructure segment for the year ended December 31, 2020 decreased $6.1 million to $566.2 million from $572.3 million for the year ended December 31, 2019. The decrease was primarily driven by the timing of project work under execution and change in backlog mix, including a reduction in large commercial construction projects in the current period. The decrease was partially offset by higher costs incurred in response to the COVID-19 pandemic.

Selling, general and administrative: Selling, general and administrative expenses from our Infrastructure segment for the year ended December 31, 2020 decreased $0.7 million to $79.1 million from $79.8 million for the year ended December 31, 2019. The decrease was primarily driven by lower travel expenses and acquisition related costs in the current period, partially offset by higher costs incurred due to an increase in salaries and wages

Depreciation and amortization: Depreciation and amortization from our Infrastructure segment for the year ended December 31, 2020 decreased $4.8 million to $10.7 million from $15.5 million for the year ended December 31, 2019. The decrease was primarily related to the full depreciation and amortization of assets that took place subsequent to the comparable period.

Other operating (income) expense: Other operating (income) expense from our Infrastructure segment for the year ended December 31, 2020 decreased by $0.5 million to a loss of $0.1 million from income of $0.6 million for the year ended December 31, 2019. The change was primarily due to the gains and losses on the sale of land and assets in the comparable periods.

Life Sciences Segment

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Selling, general and administrative	$ 16.7	$ 8.6	$ 8.1
Depreciation and amortization	0.1	0.3	(0.2)
Other operating expense	0.1	—	0.1
Loss from operations	$ (16.9)	$ (8.9)	$ (8.0)

Selling, general and administrative: Selling, general and administrative expenses from our Life Sciences segment for the year ended December 31, 2020 increased $8.1 million to $16.7 million from $8.6 million for the year ended December 31, 2019. The increase was driven by higher expenses at R2, which increased spending from the comparable period to ramp up operations to support commercialization efforts and further develop its product platform.

Spectrum

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Net revenue	$ 40.3	$ 41.8	$ (1.5)
Cost of revenue	22.3	23.5	(1.2)
Selling, general and administrative	20.1	26.4	(6.3)
Depreciation and amortization	6.8	6.3	0.5
Other operating (income) expense	(6.7)	(3.0)	(3.7)
Loss from operations	$ (2.2)	$ (11.4)	$ 9.2

Net revenue: Net revenue from our Spectrum segment for the year ended December 31, 2020 decreased $1.5 million to $40.3 million from $41.8 million for the year ended December 31, 2019. The decrease was primarily driven by a decrease in advertising revenues at the Azteca network driven by the negative impact of the COVID-19 pandemic, partially offset by higher station revenues as our Spectrum segment grew the number of operating stations and launched new customers across its broadcast platform.

Cost of revenue: Cost of revenue from our Spectrum segment for the year ended December 31, 2020 decreased $1.2 million to $22.3 million from $23.5 million for the year ended December 31, 2019. The decrease was primarily driven by cost reductions at Network, partially offset by increased cost of revenues associated with the higher number of operating stations.

Selling, general and administrative: Selling, general and administrative expenses from our Spectrum segment for the year ended December 31, 2020 decreased $6.3 million to $20.1 million from $26.4 million for the year ended December 31, 2019. The decrease was primarily due to lower compensation, overhead, and acquisition-related expenses.

Depreciation and amortization: Depreciation and amortization from our Spectrum segment for the year ended December 31, 2020 increased $0.5 million to $6.8 million from $6.3 million for the year ended December 31, 2019. The increase was driven by additional amortization of fixed assets at new stations which were acquired or built subsequent to the comparable period.

Other operating (income) expense: Other operating (income) expense from our Spectrum segment for the year ended December 31, 2020 increased $3.7 million to income of $6.7 million from income of $3.0 million for the year ended December 31, 2019. The increase was primarily due to gains recognized on the sale of stations in the current period, partially offset by the impairment of licenses in the current period and a decrease in gains from FCC reimbursements.

Insurance Segment

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Life, accident and health earned premiums, net	$ 115.1	$ 116.8	$ (1.7)
Net investment income	198.8	212.9	(14.1)
Net realized and unrealized gains on investments	(13.7)	1.9	(15.6)
Net revenue	300.2	331.6	(31.4)
Policy benefits, changes in reserves, and commissions	250.0	234.4	15.6
Selling, general and administrative	35.5	35.7	(0.2)
Depreciation and amortization	(20.9)	(23.1)	2.2
Other operating expense	—	47.3	(47.3)
Income from operations [1]	$ 35.6	$ 37.3	$ (1.7)

[1] The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2020 and 2019. 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, 2020 decreased $1.7 million to $115.1 million from $116.8 million for the year ended December 31, 2019. The decrease was primarily related to natural run-off of the closed blocks of business.

Net investment income: Net investment income from our Insurance segment for the year ended December 31, 2020 decreased $14.1 million to $198.8 million from $212.9 million for the year ended December 31, 2019. The decrease was primarily due to decreased holdings in equity, mortgage and short-term investments to pivot investment strategy to a more conservative methodology, including decreased yield on equity method investments, partially offset by an increase in investment income from higher average invested assets as a result of the reinvestment of premiums and investment income received.

Net realized and unrealized gains on investments: Net realized and unrealized gains on investments from our Insurance segment for the year ended December 31, 2020 decreased $15.6 million to $13.7 million from $1.9 million for the year ended December 31, 2019. The decrease was driven by unrealized losses due to unfavorable market movements in preferred investments, and realized losses on the sale of bond and equity investments.

Policy benefits, changes in reserves, and commissions: Policy benefits, changes in reserves, and commissions from our Insurance segment for the year ended December 31, 2020 increased $15.6 million to $250.0 million from $234.4 million for the year ended December 31, 2019.The increase was due to unfavorable reserves development in the active life reserve for the LTC policies acquired in 2018 and expected increase in claims activity in the current period.

Depreciation and amortization: Depreciation and amortization from our Insurance segment for the year ended December 31, 2020 decreased $2.2 million to $20.9 million from $23.1 million for the year ended December 31, 2019. The decrease was driven by a reduction in negative VOBA amortization largely due to lower policy terminations for the LTC policies acquired in 2018.

Other operating expense: Other operating expense from our Insurance segment for the year ended December 31, 2020 was zero compared to $47.3 million for the year ended December 31, 2019. The decrease was due to goodwill impairment in the comparable period not recognized in the current period.

Non-operating Corporate

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Selling, general and administrative	$ 26.9	$ 24.9	$ 2.0
Depreciation and amortization	0.1	0.1	—
Loss from operations	$ (27.0)	$ (25.0)	$ (2.0)

Selling, general and administrative: Selling, general and administrative expenses from our Non-operating Corporate segment for the year ended December 31, 2020 increased $2.0 million to $26.9 million from $24.9 million for the year ended December 31, 2019. The increase was driven by costs incurred associated with the proxy contest, acquisition and disposition costs, and increased legal activity. This was partially offset by a decrease in bonus, stock compensation expense, rent expense and various consulting expenses in the current period.

(Loss) income from Equity Investees

	Years Ended December 31,		
	2020	2019	Increase / (Decrease)
Life Sciences	$ (6.0)	$ (3.4)	$ (2.6)
Other	2.6	5.0	(2.4)
(Loss) income from equity investees	$ (3.4)	$ 1.6	$ (5.0)

Life Sciences: Loss from equity investees within our Life Sciences segment for the year ended December 31, 2020 increased $2.6 million to $6.0 million from $3.4 million for the year ended December 31, 2019. The increase in loss was largely due to higher equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials.

Other: Income from equity investees within our Other segment for the year ended December 31, 2020 decreased $2.4 million to $2.6 million from $5.0 million for the year ended December 31, 2019. The decrease was driven by the equity investment in HMN, as the joint venture produced lower profits than in the comparable period, which is generally attributable to timing of turnkey project work, and a reduction in ownership from 49% to 19% as a result of the partial sale of HC2's investment in the second quarter of 2020.

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; discontinued operations; non-recurring items; costs associated with the COVID-19 pandemic; and acquisition and disposition costs.

(in millions)	Year ended December 31, 2020					
	Infrastructure	Life Sciences	Spectrum	Other and Elimination	Non-operating Corporate	HC2
Net loss attributable to HC2 Holdings, Inc.						$ (92.0)
Less: Net Income attributable to HC2 Holdings Insurance segment						40.2
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment						(6.0)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	$ 6.8	$ (14.4)	$ (17.5)	$ (1.5)	$ (99.6)	$ (126.2)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:						
Depreciation and amortization	10.7	0.1	6.8	—	0.1	17.7
Depreciation and amortization (included in cost of revenue)	9.1	—	—	—	—	9.1
Other operating (income) expenses	0.1	0.1	(6.7)	—	—	(6.5)
Interest expense	8.5	—	14.7	—	56.2	79.4
Other (income) expense, net	0.5	(2.3)	5.7	(72.2)	3.0	(65.3)
Loss on early extinguishment of debt	—	—	—	—	9.4	9.4
Income tax expense	4.2	—	0.3	11.0	0.2	15.7
Noncontrolling interest	0.6	(6.2)	(5.3)	0.8	—	(10.1)
Discontinued operations	—	—	—	61.7	3.9	65.6
Bonus to be settled in equity	—	—	—	—	(0.5)	(0.5)
Share-based payment expense	—	0.2	0.3	—	2.4	2.9
Non-recurring items	2.7	—	—	—	5.4	8.1
COVID-19 Costs	19.4	—	—	—	—	19.4
Acquisition and disposition costs	0.6	—	0.5	1.8	3.9	6.8
Adjusted EBITDA	$ 63.2	$ (22.5)	$ (1.2)	$ 1.6	$ (15.6)	$ 25.5

(in millions)	Year ended December 31, 2019					
	Infrastructure	Life Sciences	Spectrum	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						(8.7)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 24.7	$ (0.2)	$ (18.5)	$ (0.6)	$ (87.6)	$ (82.2)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:						
Depreciation and amortization	15.5	0.3	6.3	—	0.1	22.2
Depreciation and amortization (included in cost of revenue)	9.1	—	—	—	—	9.1
Other operating (income) expenses	0.5	—	(2.9)	0.1	—	(2.3)
Interest expense	9.3	—	9.6	—	57.5	76.4
Other (income) expense, net	(1.6)	(8.6)	2.7	—	2.2	(5.3)
Income tax (benefit) expense	10.9	—	(1.5)	—	(8.1)	1.3
Noncontrolling interest	2.0	(3.4)	(3.8)	0.6	—	(4.6)
Share-based payment expense	—	0.1	0.6	—	5.5	6.2
Discontinued Operations	—	—	—	3.5	11.0	14.5
Acquisition and disposition costs	5.3	—	1.2	0.1	1.5	8.1
Adjusted EBITDA	$ 75.7	$ (11.8)	$ (6.3)	$ 3.7	$ (17.9)	$ 43.4

Infrastructure: Net income from our Infrastructure segment for the year ended December 31, 2020 decreased $17.9 million to $6.8 million from $24.7 million for the year ended December 31, 2019. Adjusted EBITDA from our Infrastructure segment for the year ended December 31, 2020 decreased $12.5 million to $63.2 million from $75.7 million for the year ended December 31, 2019. The decrease in Adjusted EBITDA can be attributed to the timing of project work under execution and change in backlog mix, including a reduction in large commercial construction projects in the current period, as well as a decline in power and industrial repair and maintenance work performed.

Life Sciences: Net loss from our Life Sciences segment for the year ended December 31, 2020 decreased $14.2 million to $14.4 million from $0.2 million for the year ended December 31, 2019. Adjusted EBITDA loss from our Life Sciences segment for the year ended December 31, 2020 increased $10.7 million to $22.5 million from $11.8 million for the year ended December 31, 2019. The increase in Adjusted EBITDA loss was primarily driven by higher expenses at R2, which increased spending from the comparable period to support commercialization efforts and further develop its product platform. and higher equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials.

Spectrum: Net loss from our Spectrum segment for the year ended December 31, 2020 decreased $1.0 million to $17.5 million from $18.5 million for the year ended December 31, 2019. Adjusted EBITDA loss from our Spectrum segment for the year ended December 31, 2020 decreased $5.1 million to $1.2 million from $6.3 million for the year ended December 31, 2019. The overall decrease in Adjusted EBITDA loss was primarily driven by a decrease in compensation and overhead, expenses, as well as higher station revenues as our Spectrum segment grew the number of operating stations and launched new customers across its broadcast platform. This was partially offset by a decrease in advertising revenues at the Azteca network driven by the negative impact of the COVID-19 pandemic.

Other and Elimination: Net income (loss) from our Other segment for the year ended December 31, 2020 decreased $0.9 million to income of $1.5 million from a loss of $0.6 million for the year ended December 31, 2019. Adjusted EBITDA from our Other segment for the year ended December 31, 2020 decreased $2.1 million to $1.6 million from $3.7 million for the year ended December 31, 2019. The decrease in Adjusted EBITDA for Other and Eliminations was driven by lower profits for the HMN investment, which is generally attributable to the timing of turnkey project work and the reduction of ownership from 49% to 19% as a result of the partial sale of HMN in the second quarter of 2020.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the year ended December 31, 2020 increased $12.0 million to $99.6 million from $87.6 million for the year ended December 31, 2019. Adjusted EBITDA loss from our Non-operating Corporate segment for the year ended December 31, 2020 decreased $2.3 million to $15.6 million from $17.9 million for the year ended December 31, 2019. The decrease in Adjusted EBITDA loss was driven by a decrease in discretionary bonus and a general reduction in overhead expenses, including professional fees, travel and entertainment expenses, and rent expense, partially offset by an increase in recurring legal fees resulting from an increase in activity.

(in millions):	Year ended December 31,		
	2020	2019	Increase / (Decrease)
Infrastructure	$ 63.2	$ 75.7	$ (12.5)
Life Sciences	(22.5)	(11.8)	(10.7)
Spectrum	(1.2)	(6.3)	5.1
Other and Eliminations	1.6	3.7	(2.1)
Non-Operating Corporate	(15.6)	(17.9)	2.3
Adjusted EBITDA	$ 25.5	$ 43.4	$ (17.9)

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,		
	2020	2019	Increase / (Decrease)
Net income - Insurance segment	$ 40.2	$ 59.4	$ (19.2)
Effect of investment (gains) [(1)]	13.6	(1.9)	15.5
Asset impairment expense	—	47.3	(47.3)
Gain on bargain purchase	—	(1.1)	1.1
Acquisition costs	0.1	2.1	(2.0)
Insurance AOI	53.9	105.8	(51.9)
Income tax expense (benefit)	(4.3)	(20.1)	15.8
Pre-tax Insurance AOI	$ 49.6	$ 85.7	$ (36.1)

[(1)] The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2020 and 2019. 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, 2020 decreased $19.2 million to $40.2 million from $59.4 million for the year ended December 31, 2019. Pre-tax Insurance AOI for the year ended December 31, 2020 decreased $36.1 million to $49.6 million from $85.7 million for year ended December 31, 2019. The decrease was primarily driven by non-recurring favorable claims activity recognized in the comparable period and additional unfavorable claims activity and reserve developments in the current year. Additionally, the Insurance segment had a reduction in net investment income due to lower bond yields and unfavorable market movements in values for preferred stock holdings and fixed maturity impairments and unfavorable VOBA amortization largely due to lower policy terminations for the LTC policies acquired in 2018.

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.

Infrastructure Segment

At December 31, 2020, DBMG's backlog was $394.5 million, consisting of $334.9 million under contracts or purchase orders and $59.6 million under letters of intent or notices to proceed. Approximately $141.8 million, representing 35.9% of DBMG's backlog at December 31, 2020, 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, 2019 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 proceeds.

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, 2020, the Company had $232.3 million of cash and cash equivalents compared to $193.7 million as of December 31, 2019. On a stand-alone basis, as of December 31, 2020, HC2 had cash and cash equivalents of $27.5 million compared to $11.6 million at December 31, 2019. At December 31, 2020, cash and cash equivalents in our Insurance segment was $188.5 million compared to $170.5 million at December 31, 2019.

Our subsidiaries' principal liquidity requirements arise from cash used in operating activities, debt service, and capital expenditures, including purchases of steel construction equipment, OTA broadcast station equipment, liabilities associated with insurance products, development of back-office systems, operating costs and expenses, and income taxes.

As of December 31, 2020, the Company had $576.6 million of indebtedness on a consolidated basis compared to $754.1 million as of December 31, 2019. On a stand-alone basis, as of December 31, 2020 and December 31, 2019, HC2 had indebtedness of $410.4 million and $540.0 million, respectively.

HC2's stand-alone debt consists of the $340.4 million aggregate principal amount of 11.50% 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 ("2020 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 2020 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 $5.2 million in net management fees during the year ended December 31, 2020, related to fees earned in the fourth quarter of 2019 and the first three quarters of 2020.

HC2 received $18.0 million in dividends from its Infrastructure segment during the year ended December 31, 2020.

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 cash on hand, distributions from our subsidiaries, 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. 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 or renegotiate terms of our 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.

We have seen significant costs increases, primarily at our Infrastructure segment, driven by expenses associated with maintaining a safe work environment, and while executing on its projects. During the year ended December 31, 2020, $19.4 million of COVID-19 costs were incurred. Although the COVID-19 pandemic did not have a material impact on the HC2's liquidity for the year ended December 31, 2020, management believes the continuation of the pandemic and its related effect on the U.S. and global economies could introduce added pressure on the Company's liquidity position and financial performance. Our sources of liquidity are primarily from the dividends and tax sharing agreement with DBMG, cash proceeds from completed and anticipated monetization's and other arrangements.

Additionally, in response to the COVID-19 pandemic, our corporate staff is predominantly working remotely and many of our key vendors, and consultants have similarly begun to work remotely. As a result of such remote work arrangements, certain operational, reporting, accounting and other processes may slow, which could result in longer time to execute critical business functions.

Capital Expenditures

Capital expenditures for the years ended December 31, 2020 and 2019 are set forth in the table below (in millions):

	Years Ended December 31,	
	2020	2019
Infrastructure	$ 5.7	$ 9.8
Life Sciences	0.1	0.1
Spectrum	11.8	14.2
Insurance	0.2	0.6
Total	$ 17.8	$ 24.7

Indebtedness

<u>*Senior Secured Notes Terms and Conditions*</u>

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

Interest. The Secured Notes accrue interest at a rate of 11.50% 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 was 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 was 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, 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.

2020 Revolving Credit Agreement

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

Ranking. Obligations under the 2020 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.

Infrastructure

The Wells Fargo Facility and the TCW Loan associated with our Infrastructure segment contain customary restrictive and financial covenants related to debt levels and performance. As of December 31, 2020, DBMG was in compliance with all of the financial covenants to its debt agreements.

See Note 15. 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, 2020, 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, 2020, 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, 2020, 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.

On February 1, 2021, HC2 closed on $330.0 million of 8.500% senior secured notes due 2026 at an issue price of 100%. The Notes will be senior secured obligations of the Company and will be guaranteed by certain of the Company's domestic subsidiaries. The proceeds from the issuance of the Notes were used, together with the net cash proceeds of the Company's previously announced sale of its majority-owned subsidiary Beyond6, Inc., to redeem in full HC2's existing 11.50% senior secured notes, repay the outstanding indebtedness under its revolving credit agreement, pay related fees and expenses, and for general corporate purposes.

The Company conducted its operations in a manner that resulted in compliance with the prior 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,		
	2020	2019	Increase / (Decrease)
Operating activities from Continuing Operations	$ 52.4	$ 53.2	$ (0.8)
Investing activities from Continuing Operations	185.7	(209.2)	394.9
Financing activities from Continuing Operations	(196.4)	33.7	(230.1)
Effect of exchange rate changes on cash and cash equivalents	0.7	0.7	—
Cash flows from discontinued operations	(42.3)	31.8	(74.1)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 0.1	$ (89.8)	$ 89.9
Less: Net (decrease) increase in cash and cash equivalents classified within current assets held for sale	(38.6)	20.9	(59.5)
Net change in cash, cash equivalents and restricted cash	$ 38.7	$ (110.7)	$ 149.4

Operating Activities

Cash provided by operating activities was $52.4 million for the year ended December 31, 2020 as compared to cash provided by operating activities of $53.2 million for the year ended December 31, 2019. The $0.8 million change was the result of the working capital improvements in our Infrastructure segment offset by declines in working capital at our Life Sciences segment. Our Infrastructure segment benefited from increased billings in excess of costs on new projects. Our Life Sciences segment incurred additional costs as it ramped up efforts to achieve commercialization of its products.

Investing Activities

Cash provided by investing activities was $185.7 million for the year ended December 31, 2020 as compared to cash used in investing activities of $209.2 million for the year ended December 31, 2019. The $394.9 million change was from the proceeds from sales of subsidiaries, largely GMSL and HMN during the current year, and a decline in net investment activity at our Insurance Segment.

Financing Activities

Cash used in financing activities was $196.4 million for the year ended December 31, 2020 as compared cash provided by financing activities of $33.7 million for the year ended December 31, 2019. The $230.1 million change was largely a result of the principal payments on debt obligations at our Corporate segment and payments to minority stockholders at our Other segment for the portion of the proceeds received from the sale of GMSL and HMN. Further adding to the decline were payments on borrowings at our Infrastructure and Spectrum segments when compared to the prior period. This was partially offset by proceeds received from HC2's 2020 rights offering and issuance of Series B Preferred Stock.

Discontinued Operations

Cash used in discontinued operations was $42.3 million for the year ended December 31, 2020 as compared to cash provided by discontinued operations of $31.8 million for the year ended December 31, 2019. The $74.1 million decrease was largely due to the timing of sales of subsidiaries during the year, cash balances at the subsidiaries which was included as part of these sales, and lower working capital at ICS compared to the prior year.

Infrastructure

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, 2020 debt balance, DBMG anticipates that its interest payments will be approximately $1.6 million each quarter of 2021.

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.

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, 2020, 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 2020 and 2019 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, 2020, CIG's insurance subsidiary exceeded the minimum RBC requirements.

Insurance Companies Capital Contributions

The Company has an agreement with the 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 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 remained 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. As of the date of this filing, the agreement has expired.

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, 2020 and December 31, 2019, CIG's investment portfolio is comprised of the following (in millions):

	December 31, 2020		December 31, 2019	
	Fair Value	Percent	Fair Value	Percent
U.S. Government and government agencies	$ 8.4	0.2 %	$ 7.7	0.2 %
States, municipalities and political subdivisions	441.9	9.4 %	440.1	9.9 %
Residential mortgage-backed securities	52.9	1.1 %	66.9	1.5 %
Commercial mortgage-backed securities	97.4	2.0 %	109.4	2.5 %
Asset-backed securities	403.1	8.6 %	577.8	13.1 %
Corporate and other (*)	3,494.1	74.1 %	2,866.8	64.8 %
Common stocks (*)	22.0	0.5 %	25.6	0.6 %
Perpetual preferred stocks	108.8	2.3 %	118.9	2.7 %
Mortgage loans	57.2	1.2 %	183.5	4.1 %
Policy loans	17.8	0.4 %	19.1	0.4 %
Other invested assets	7.7	0.2 %	7.2	0.2 %
Total	$ 4,711.3	100.0 %	$ 4,423.0	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, 2020		December 31, 2019	
	Fair Value	Percent	Fair Value	Percent
AAA, AA, A	$ 2,007.9	44.6 %	$ 1,954.9	48.1 %
BBB	2,185.2	48.6 %	1,834.5	45.1 %
Total investment grade	4,193.1	93.2 %	3,789.4	93.2 %
BB	187.9	4.2 %	210.7	5.2 %
B	49.3	1.1 %	18.0	0.4 %
CCC, CC, C	59.5	1.3 %	37.9	0.9 %
D	8.0	0.2 %	12.7	0.3 %
Total non-investment grade	304.7	6.8 %	279.3	6.8 %
Total	$ 4,497.8	100.0 %	$ 4,068.7	100.0 %

Discontinued Operations

We have reclassified several entities as discontinued operations for the years ended December 31, 2020 and 2019. Accordingly, revenue, costs, and expenses of the discontinued operations have been excluded from continuing operations. The entities reported in discontinued operations are as follows:

- The sale of GMSL closed on February 28, 2020. At the time of the sale, the Company recorded a $39.3 million loss on the sale, inclusive of recognizing a $31.3 million loss from the realization of AOCI. During the fourth quarter of 2020, the Company recognized a gain of $2.4 million as a result of bonding releases related to projects which existed prior to sale.

- The sale of ICS and its subsidiary, Go2 Tel, Inc., closed on October 31, 2020. The Company recorded a $0.9 million gain on the sale and recognized $8.2 million of Accumulated other comprehensive loss related to the foreign currency translation of PTGi International Carrier Services Ltd., which was essentially liquidated in conjunction with the sale. The proceeds were used for general corporate purposes.

- On December 31, 2020, the Company signed the Merger Agreement to sell Beyond6. The sale closed on January 15, 2021.

Cash flows from discontinued operations are reported in the Statement of Cash Flows as a separate line item within the Operations, Investing and Financing activities sections for each year presented.

In the absence of cash flows from the discontinued operations, the Company does not expect there to be an impact on liquidity at the Company.

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"), formerly 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, 2020 included letters of credit of $9.8 million under Credit and Security Agreements and performance bonds of $88.8 million. DBMG’s contract arrangements with customers sometimes require DBMG to provide performance bonds to partially secure its obligations under its contracts. Bonding requirements typically arise in connection with public works projects and sometimes with respect to certain private contracts. DBMG’s performance bonds are obtained through surety companies and typically cover the entire project price.

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 7. 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.

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 book basis and the tax basis 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.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations.

See Note 17. 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 12. 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.

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:

- the effect of the novel coronavirus ("COVID-19") pandemic and related governmental responses on our business, financial condition and results of operations;
- 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 new notes, the Certificates of Designation governing HC2's Preferred Stock and all other subsidiary debt obligations as summarized in Note 15. 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;
- 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, 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.

Infrastructure / DBM Global Inc.

Our actual results or other outcomes of DBM Global, Inc. and its wholly-owned subsidiaries ("DBMG"), and, thus, our Infrastructure 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 ability to maintain efficient staffing and productivity as well as delays and cancellations as a result of the COVID-19 pandemic;
- 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.

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.

Spectrum / HC2 Broadcasting Holdings Inc.

Our actual results or other outcomes of HC2 Broadcasting Holdings Inc., and, thus, our Spectrum 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 ability to attract advertisers during the COVID-19 pandemic;
- our Spectrum segment’s ability to integrate our recent and pending broadcasting acquisitions;
- our Spectrum segment’s ability to operate in highly competitive markets and maintain market share;
- our Spectrum 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.

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 ability to timely collect premiums resulting from impacts of regulations responding to the COVID-19 pandemic;
- 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.

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:

- risks associated with our equity method investment that operates in China (i.e., Huawei Marine Systems Co. Limited, a Hong Kong holding company with a Chinese operating subsidiary)

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, 2020, 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, 2020. 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, 2020.

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, 2020, 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 2021 annual meeting of stockholders ("2021 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 2021 Proxy Statement 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 Chief Executive Officer, 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 in our 2021 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 in our 2021 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 in our 2021 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 in our 2021 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.

(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).
2.8	Agreement and Plan of Merger, dated as of December 30, 2020, by and among Beyond6, Inc., Greenfill Inc., Greenfill Merger, Inc., and HC2 Holdings, Inc., solely in its capacity as the Stockholders' Representative (incorporated by reference to Exhibit 2.1 on HC2's Current Report on Form 8-K, filed December 31, 2020).
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).
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).
3.6	Certificate of Amendment No. 2 to Second Amended and Restated Certificate of Incorporation of HC2 Holdings, Inc. (incorporated by reference to Exhibit 3.1 on HC2's Current Report on Form 10-K, filed on November 23, 2020 (File No. 001-35210).

Exhibit Number	Description
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") (incorporated by reference to Exhibit 4.12 to HC2's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210).
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") (incorporated by reference to Exhibit 4.13 to HC2's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210).
4.14	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.14 to HC2's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210).
4.15	First Omnibus Amendment to Secured Notes and Intercreditor Agreement by and among HC2 Station Group, Inc., HC2 LPTV Holdings, Inc., HC2 Broadcasting, Inc., HC2 Network Inc., HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., and MSD PCOF Partners, XVIII, LLC, Great American Life Insurance Company and Great American Insurance Company. (incorporated by reference to Exhibit 4.1 to HC2's Quarterly Report on Form 10-Q, filed on May 11, 2020) (File No. 001-35210)
4.16	First Supplemental Indenture dated August 19, 2020, between HC2 Holdings, Inc. ("HC2") and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of HC2's Quarterly Report on Form 10-Q, filed on November 9, 2020) (File No. 001-35210).

Exhibit Number	Description
4.17	Form of Certificate of Designations of Series B Non-Voting Participating Convertible Preferred Stock of HC2 (included in Exhibit 10.1) (incorporated by reference to Exhibit 4.1 on HC2's Current Report on Form 8-K, filed on September 9, 2020 (File No. 021-35210).
4.18	Form of Subscription Rights Certificate (incorporated by reference to Exhibit 4.1 on HC2's Current Report on Form 8-K, filed on October 7, 2020) (File No. 021-35210).
10.1	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).
10.2^	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)
10.3^	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).
10.4	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).
10.5	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).
10.6	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).
10.7	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).
10.8^	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).
10.9^	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).
10.10^	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).
10.11^	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)
10.12^	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)
10.13^	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).
10.14	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).
10.15	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).
10.16^	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).
10.17	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).
10.18^	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).

Exhibit Number	Description
10.19	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).
10.20	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).
10.21	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).
10.22^	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).
10.23	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).
10.24	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).
10.25	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).
10.26^	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).
10.27^	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).
10.28^	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).
10.29	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).
10.30	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).
10.31	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).
10.32	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).
10.33	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).
10.34	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).
10.35	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 (incorporated by reference to Exhibit10.38 to HC2's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210).
10.36	First Amendment to Financing Agreement dated November 13, 2019, by and among DBM Global, Inc. and TCW Asset Management Company (incorporated by reference to Exhibit 10.39 to HC2's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210).

Exhibit Number	Description
10.37	Second Amendment to Intercreditor Agreement dated as of April 9, 2020, by and among Wells Fargo Bank, National Association and TCW Asset Management Company LLC (incorporated by reference to Exhibit 10.1 to HC2's Quarterly Report on Form 10-Q, filed on August 10, 2020) (File No. 001-35210).
10.38	Second Amendment to Financing Agreement dated as of April 9, 2020 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 hereto, and TCW Asset Management Company, LLC, as administrative agent for the lenders and collateral agent to the secured parties (incorporated by reference to Exhibit 10.2 to HC2's Quarterly Report on Form 10-Q, filed August 10, 2020) (File No. 001-35210).
10.39	Second Amendment to Fourth Amended and Restated Credit and Security Agreement dated as of April 9, 2020, by and among DBM and certain of its subsidiaries, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to HC2's Quarterly Report on Form 10-Q, filed August 10, 2020) (File No. 001-35210).
10.40^	Employment Agreement dated effective as of August 7, 2020, by and between HC2 Holdings, Inc. and Wayne Barr, Jr.(incorporated by reference to Exhibit 10.4 to HC2's Quarterly Report on Form 10-Q, filed August 10, 2020) (File No. 001-35210).
10.41	Cooperation Agreement, dated as of May 13, 2020, by and among HC2 Holdings, Inc., MG Capital Management Ltd., Percy Rockdale LLC and Rio Royal LLC (incorporated by reference to Exhibit 10.1 on HC2’s Current Report on Form 8-K, filed on May 14, 2020) (File No. 001-35210).
10.42	Agreement, dated as of May 13, 2020, by and among HC2 Holdings, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.2 on HC2’s Current Report on Form 8-K, filed on May 14, 2020) (File No. 001-35210).
10.43	Agreement, dated as of May 13, 2020, by and among HC2 Holdings, Inc. and JDS1, LLC and CCUR Holdings, Inc. (incorporated by reference to Exhibit 10.3 on HC2’s Current Report on Form 8-K, filed on May 14, 2020) (File No. 001-35210).
10.44	Letter Agreement, dated as of July 5, 2020, by and among HC2 Holdings, Inc., MG Capital Management Ltd., Percy Rockdale LLC and Rio Royal LLC (incorporated by reference to Exhibit 10.1 on HC2’s Current Report on Form 8-K, filed on July 6, 2020) (File No. 001-35210).
10.45	Letter Agreement, dated as of July 5, 2020, by and between HC2 Holdings, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.2 on HC2’s Current Report on Form 8-K, filed on July 6, 2020) (File No. 001-35210).
10.46	Letter Agreement, dated as of July 5, 2020, by and among HC2 Holdings, Inc., JDS1, LLC and CCUR Holdings, Inc. (incorporated by reference to Exhibit 10.3 on HC2’s Current Report on Form 8-K, filed on July 6, 2020) (File No. 001-35210).
10.47	Investment Agreement, dated as of September 9, 2020, by and between HC2 Holdings, Inc. and Lancer Capital, LLC (incorporated by reference to Exhibit 10.1 on HC2's Current Report on Form 8-K, filed on September 9, 2020 (File No. 021-35210).
10.48	Form of Registration Rights Agreement by and between HC2 and Lancer Capital LLC (included in Exhibit 10.1) (incorporated by reference to Exhibit 10.2 on HC2's Current Report on Form 8-K, filed on September 9, 2020 (File No. 021-35210).
10.49	Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020 by and among HC2 Station Group, Inc., HC2 LPTV Holdings, Inc., HC2 Broadcasting Inc., HC2 Network Inc., HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., MSD PCOF Partners XVIII, LLC, Great American Life Insurance Company and Great American Insurance Company (incorporated by reference to Exhibit 10.3 on HC2's Current Report on Quarterly Report on Form 10-Q filed on November 9, 2020) (File No. 001-35210).
10.50	Amended and Restated Employment Agreement, effective as of November 25, 2020, by and between HC2 Holdings, Inc. and Wayne Barr, Jr. (incorporated by reference to Exhibit 10.1 on HC2's Current Report on Form 8-K, filed on November 30, 2020) (File No. 001-35210).
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, 2020, formatted in extensible business reporting language (XBRL); (i) Consolidated Statements of Operations for the years ended December 31, 2020 and 2019, (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2020 and 2019, (iii) Consolidated Balance Sheets at December 31, 2020 and 2019, (iv) Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2020 and 2019, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019, 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/ WAYNE BARR, JR.
	Wayne Barr, Jr. **President and Chief Executive Officer** **(Principal Executive Officer)**
Date:	**March 10, 2021**

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 Wayne Barr, Jr. 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/ WAYNE BARR, JR. **Wayne Barr, Jr.**	President and Chief Executive Officer (Principal Executive Officer)	March 10, 2021
/S/ MICHAEL J. SENA **Michael J. Sena**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2021
/S/ WARREN H. GFELLER **Warren H. Gfeller**	Director	March 10, 2021
/S/ AVRAM A. GLAZER **Avram A. Glazer**	Director	March 10, 2021
/S/ MICHAEL GORZYNSKI **Michael Gorzynski**	Director	March 10, 2021
/S/ SHELLY LOMBARD **Shelly Lombard**	Director	March 10, 2021
/S/ KENNETH S. COURTIS **Kenneth S. Courtis**	Director	March 10, 2021

HC2 HOLDINGS, INC.
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020**,** 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, 2020, 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 10, 2021 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition - Estimated Costs to Complete

As described in Note 4 to the consolidated financial statements, with respect to the Company's Infrastructure segment (DBM Global Inc.), the Company recognizes a significant portion of its revenue over time using the input method to measure the progress of costs incurred for its service and construction contracts. The cost estimation process for these contracts is based on the knowledge and experience of the Company's project managers, engineers and financial professionals. Changes in job performance, job conditions and management's assessment of expected variable consideration are factors that influence estimates of the total contract transaction price, total costs to complete those contracts and the Company's revenue recognition.

We identified estimated costs to complete revenue contracts as a critical audit matter. The determination of the total estimated cost and progress toward completion requires management to make significant estimates and assumptions. Total estimated costs to complete projects include various costs such as direct material, labor, subcontract costs, indirect labor, and fabrication plant overhead costs. Changes in these estimates can have a significant impact on the revenue recognized each period. Auditing these elements involved especially challenging auditor judgment in evaluating the reasonableness of management's assumptions and estimates over the duration of these contracts.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain controls related to estimated costs to complete, including controls over management's review of cost estimates for significant inputs such as direct material, labor, subcontractor costs, indirect labor, and fabrication plant overhead costs.

- Evaluating the reasonableness of a sample of project budgets for projects completed during the year through a retrospective review against actual performance at project completion.

- Assessing the reasonableness of the estimated costs to complete for a sample of open projects through: (i) evaluating the reasonableness of project budgets and the nature of costs required to complete open projects, (ii) assessing the status of completion of respective projects through testing of a sample of project costs incurred to date, (iii) evaluating the reasonableness of project status by performing inquiries of project managers and assessing the nature of activities required to complete open projects, and (iv) performing retrospective review for open projects and investigating budget to actual variances (if any).

- Assessing the reasonableness of changes in estimated costs to complete during quarterly reviews and at year end and investigating reasons for changes in expected costs and project margins.

Valuation of Investment in Securities

As described in Note 7 to the consolidated financial statements, with respect to the Company's Insurance segment (Continental Insurance Group Ltd.), the Company's Level 3 fixed maturity securities and equity securities totaled $687.3 million at December 31, 2020, a portion of which are valued based on non-binding broker quotes or internally developed estimates using significant inputs not based on, or corroborated by, observable market information. The lack of visibility into assumptions used in non-binding broker quotes are significant unobservable inputs, which create greater subjectivity when determining the fair values.

We identified the use of non-binding broker quotes as a critical audit matter. The use of non-binding broker quotes was the significant unobservable input and assumption used by the Company in determining the fair value of certain financial instruments reflected as Level 3 fixed maturity securities and equity securities in circumstances where vendor pricing is not available. The evaluation of non-binding broker quotes required a high degree of auditor judgment and an increased extent of effort, including the need to involve valuation specialists who possess the skill and knowledge to assist in the evaluation of these inputs and assumptions.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the valuation methodologies used by the Company for Level 3 fixed maturity securities and equity securities.

- Comparing the Company's fair value estimates of Level 3 fixed maturity securities and equity securities to a range of fair value estimates independently calculated utilizing valuation specialists. We evaluated information that corroborated or contradicted the Company's fair value estimates, including observable yields, transaction data for similar securities, and historical collateral performance data.

Reserves for Long-Term Care Policy and Contract Benefits

As disclosed in Note 13 to the consolidated financial statements, with respect to the Company's Insurance segment (Continental Insurance Group Ltd.), the Company's total reserves for long-term care policies was $4,269.0 million as of December 31, 2020, which is included in total life, accident and health reserves on the consolidated balance sheet. Notes 2 and 13 to the consolidated financial statements describe the accounting for these reserves. Liabilities for estimates of benefits that will become payable on future claims on long-term care policies are based on the net level premium method. The assumptions used 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. After the liabilities are initially established, management performs premium deficiency tests, using current best estimate assumptions. If a premium deficiency is recognized, the assumptions as of the date of the loss recognition are locked in and used in subsequent periods.

We identified the loss recognition evaluation of the reserves for long-term care policies as a critical audit matter based on the judgment used by management in developing the current best estimate assumption as of the measurement date. This degree of management judgment led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the current best estimate assumptions, including expected premium rate increases, maintenance costs, morbidity rates, policy persistency and interest rates earned on assets supporting the liability. Additionally, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain controls related to the loss recognition testing, including controls over management's review of current best estimates assumptions such as expected premium rate increases, maintenance costs, morbidity rates, policy persistency and interest rates earned on assets supporting the liability.

- Evaluating the reasonableness of the current best estimate assumptions used, including expected premium rate increases, maintenance costs, morbidity rates, policy persistency and interest rates earned on assets supporting the liability. Our actuarial specialists were used to assist in evaluating the reasonableness of management’s current best estimate assumptions used in the valuation of reserves for long-term care policies.

- Testing the completeness and accuracy of underlying data used by management in the development of the current best estimate assumptions.

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

/s/ BDO USA, LLP

New York, NY
March 10, 2021

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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020, and the related notes and our report dated March 10, 2021 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 10, 2021

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,	
	2020	2019
Revenue	$ 716.9	$ 755.6
Life, accident and health earned premiums, net	115.1	116.9
Net investment income	188.9	203.8
Net realized and unrealized gains (losses) on investments	(15.1)	0.7
Net revenue	1,005.8	1,077.0
Operating expenses		
Cost of revenue	588.5	596.0
Policy benefits, changes in reserves, and commissions	250.0	234.5
Selling, general and administrative	181.1	177.3
Depreciation and amortization	(3.2)	(0.9)
Asset impairment expense	13.5	50.0
Other operating income	(20.0)	(5.2)
Total operating expenses	1,009.9	1,051.7
(Loss) income from operations	(4.1)	25.3
Interest expense	(79.4)	(76.1)
Loss on early extinguishment or restructuring of debt	(9.4)	—
(Loss) income from equity investees	(3.4)	1.6
Gain on bargain purchase	—	1.1
Other income	68.5	6.3
Loss from continuing operations before income taxes	(27.8)	(41.8)
Income tax benefit (expense)	(10.5)	19.6
Loss from continuing operations	(38.3)	(22.2)
Loss from discontinued operations (including loss on disposal of $44.2 million)	(63.8)	(13.9)
Net loss	(102.1)	(36.1)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	10.1	4.6
Net loss attributable to HC2 Holdings, Inc.	(92.0)	(31.5)
Less: Preferred dividends, deemed dividends, and repurchase gains	3.6	—
Net loss attributable to common stock and participating preferred stockholders	$ (95.6)	$ (31.5)
Loss per common share - continuing operations		
Basic	$ (0.94)	$ (0.40)
Diluted	$ (0.94)	$ (0.40)
Loss per common share - discontinued operations		
Basic	$ (0.94)	$ (0.30)
Diluted	$ (0.94)	$ (0.30)
Loss per share - Net loss attributable to common stock and participating preferred stockholders		
Basic	$ (1.88)	$ (0.70)
Diluted	$ (1.88)	$ (0.70)
Weighted average common shares outstanding:		
Basic	50.3	44.8
Diluted	50.7	44.8

See notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2020	2019
Net loss	$ (102.1)	$ (36.1)
Other comprehensive income		
Foreign currency translation adjustment	7.9	(1.9)
Unrealized gains on available-for-sale securities	191.6	288.4
Actuarial loss on pension plan	—	(7.8)
Dispositions	30.3	—
Other comprehensive income	229.8	278.7
Comprehensive income	127.7	242.6
Comprehensive income (loss) attributable to noncontrolling interests and redeemable noncontrolling interests	(8.2)	(7.5)
Comprehensive income attributable to HC2 Holdings, Inc.	$ 119.5	$ 235.1

See notes to Consolidated Financial Statements

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

	December 31, 2020	December 31, 2019
Assets		
Investments:		
Fixed maturity securities, available-for-sale at fair value	$ 4,456.1	$ 4,028.9
Equity securities	77.3	92.5
Mortgage loans	57.2	183.5
Policy loans	17.8	19.1
Other invested assets	57.2	68.1
Total investments	4,665.6	4,392.1
Cash and cash equivalents	232.3	193.7
Accounts receivable, net	184.7	228.9
Recoverable from reinsurers	957.5	953.7
Deferred tax asset	4.4	2.8
Property, plant and equipment, net	113.9	129.5
Goodwill	111.0	110.4
Intangibles, net	174.6	210.6
Assets held for sale	126.4	555.2
Other assets	172.4	181.4
Total assets	$ 6,742.8	$ 6,958.3
Liabilities, temporary equity and stockholders' equity		
Life, accident and health reserves	$ 4,627.5	$ 4,567.1
Annuity reserves	228.8	236.4
Value of business acquired	199.8	221.1
Accounts payable and other current liabilities	176.3	190.6
Deferred tax liability	142.3	81.6
Debt obligations	561.5	723.9
Liabilities held for sale	74.7	334.9
Other liabilities	116.0	137.5
Total liabilities	6,126.9	6,493.1
Commitments and contingencies		
Temporary equity		
Preferred stock	10.4	10.3
Redeemable noncontrolling interest	5.3	11.3
Total temporary equity	15.7	21.6
Stockholders' equity		
Common stock, $0.001 par value	0.1	—
Shares authorized: 160,000,000 and 80,000,000 at December 31, 2020 and 2019, respectively		
Shares issued: 77,836,586 and 46,810,676 at December 31, 2020 and 2019, respectively		
Shares outstanding: 76,726,835 and 46,067,852 at December 31, 2020 and 2019, respectively		
Additional paid-in capital	355.7	281.1
Treasury stock, at cost: 1,109,751 and 742,824 shares at December 31, 2020 and 2019, respectively	(4.2)	(3.3)
Accumulated deficit	(188.7)	(96.7)
Accumulated other comprehensive income (loss)	396.9	168.7
Total HC2 Holdings, Inc. stockholders' equity	559.8	349.8
Noncontrolling interest	40.4	93.8
Total stockholders' equity	600.2	443.6
Total liabilities, temporary equity and stockholders' equity	$ 6,742.8	$ 6,958.3

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, 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	—	—	—	—	(4.3)	—	(4.3)	(0.7)	(5.0)	(0.1)
Cumulative effect of accounting for warrants	—	—	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 loss	—	—	—	—	(31.5)	—	(31.5)	(3.3)	(34.8)	(1.3)
Other comprehensive income	—	—	—	—	—	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
Share-based compensation	—	—	6.3	—	—	—	6.3	—	6.3	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(1.3)	—	—	—	(1.3)	—	(1.3)	1.3
Preferred stock accretion	—	—	(2.0)	—	—	—	(2.0)	—	(2.0)	2.0
Taxes paid in lieu of shares issued for share-based compensation	(0.4)	—	—	(0.9)	—	—	(0.9)	—	(0.9)	—
Preferred stock dividend	—	—	(0.8)	—	—	—	(0.8)	—	(0.8)	—
Issuance of common stock	2.3	—	0.2	—	—	—	0.2	—	0.2	—
Rights Offering	16.8	0.1	34.4	—	—	—	34.5	—	34.5	—
Issuance of preferred stock	—	—	2.0	—	—	—	2.0	—	2.0	25.0
Series B Preferred Share Conversion	11.9	—	27.0	—	—	—	27.0	—	27.0	(27.0)
Transactions with noncontrolling interests	—	—	6.7	—	—	—	6.7	(57.0)	(50.3)	(4.0)
Other	—	—	2.1	—	—	—	2.1	—	2.1	—
Net loss	—	—	—	—	(92.0)	—	(92.0)	(5.4)	(97.4)	(4.7)
Other comprehensive income	—	—	—	—	—	228.2	228.2	9.0	237.2	1.5
Balance as of December 31, 2020	76.7	$ 0.1	$ 355.7	$ (4.2)	$ (188.7)	$ 396.9	$ 559.8	$ 40.4	$ 600.2	$ 15.7

See notes to Consolidated Financial Statements

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

	Years Ended December 31,	
	2020	2019
Cash flows from operating activities		
Net loss	$ (102.1)	$ (36.1)
Less: Loss from discontinued operations, net of tax	(63.8)	(13.9)
	(38.3)	(22.2)
Adjustments to reconcile net loss to cash provided by operating activities		
Share-based compensation expense	2.9	6.3
Depreciation and amortization	5.9	8.2
Amortization of deferred financing costs and debt discount	15.5	12.1
Amortization of (discount) premium on investments, net	7.8	8.5
Loss on extinguishment of debt	9.4	—
Gain on bargain purchase	—	(1.1)
(Loss) Income from equity investees	3.4	(1.6)
Asset impairment expense	13.5	50.0
Net realized and unrealized gains on investments	(63.4)	(9.0)
Deferred income taxes	8.1	(27.2)
Annuity benefits	6.3	9.8
Other operating activities	(4.5)	1.3
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	43.0	(11.0)
Recoverable from reinsurers	(4.0)	4.4
Other assets	17.4	17.1
Life, accident and health reserves	60.3	44.9
Accounts payable and other current liabilities	1.3	(18.0)
Other liabilities	(32.2)	(19.3)
Cash provided by operating activities	52.4	53.2
Cash (used in) provided by discontinued operating activities	(10.7)	57.5
Cash provided by operating activities	41.7	110.7
Cash flows from investing activities		
Purchase of property, plant and equipment	(17.8)	(24.7)
Proceeds from disposal of property, plant and equipment	41.1	1.3
Purchase of investments	(997.1)	(1,060.1)
Sale of investments	822.1	748.7
Maturities and redemptions of investments	98.1	123.5
Cash received from the sale of equity method investments	85.5	—
Cash received from dispositions, net	147.4	13.5
Cash received from (paid for) acquisitions, net	—	(19.8)
Other investing activities	6.4	8.4
Cash provided by (used in) investing activities	185.7	(209.2)
Cash used in discontinued investing activities	(23.4)	(54.4)
Cash provided by (used in) investing activities	162.3	(263.6)
Cash flows from financing activities		
Proceeds from debt obligations	(4.1)	88.9
Principal payments on debt obligations	(181.8)	(29.5)
Proceeds from sale of HC2 preferred stock	27.0	—
Proceeds from rights offering	34.5	—
Cash received by subsidiary to issue preferred stock	10.0	8.9
Cash paid by subsidiary to purchase HC2 preferred stock	—	(8.3)
Annuity receipts	1.6	2.2
Annuity surrenders	(15.6)	(18.1)
Transactions with noncontrolling interests	(63.0)	(5.7)
Other financing activities	(5.0)	(4.7)
Cash (used in) provided by financing activities	(196.4)	33.7
Cash (used in) provided by discontinued financing activities	(8.2)	28.7
Cash (used in) provided by financing activities	(204.6)	62.4
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.7	0.7
Net increase in cash and cash equivalents, including cash classified within assets held for sale	0.1	(89.8)
Less: Net (decrease) increase in cash and cash equivalents classified within current assets held for sale	(38.6)	20.9
Net change in cash, cash equivalents and restricted cash	38.7	(110.7)
Cash, cash equivalents and restricted cash, beginning of period	195.1	305.8
Cash, cash equivalents and restricted cash, end of period	$ 233.8	$ 195.1

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 that has a portfolio of subsidiaries in a variety of operating segments. We seek to grow these businesses so that they can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. 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 four reportable segments, plus our Other segment, based on management’s organization of the enterprise- Infrastructure, Life Sciences, Spectrum, Insurance, and Other which includes businesses that do not meet the separately reportable segment thresholds.

1. Our Infrastructure segment (f/k/a Construction segment) is comprised of DBM Global Inc. ("DBMG") and its wholly-owned subsidiaries. DBMG is a fully integrated Industrial Construction, Structural Steel and Facility Maintenance provider who provides 3D Building Information Modeling (“BIM”) modeling, detailing, fabrication and erection of structural steel and heavy steel plate. 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 GrayWolf, DBMG provides integrated solutions for digital engineering, modeling and detailing, construction, heavy equipment installation and facility services including maintenance, repair, and installation to a diverse range of end markets. 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 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 56% 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.

3. Our Spectrum segment (f/k/a 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.

4. 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.

5. Our Other segment represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate. Included in the Other segment is the former Marine Services segment, which includes its holding company, Global Marine Holdings, LLC ("GMH"), in which the Company maintains approximately 73% controlling interest. GMH results include the current and prior year equity investment in Huawei Marine Networks Co., Limited (“HMN”), its 19% equity method investment with Huawei Technologies Co., Ltd., and the discontinued operations of Global Marine Systems Limited ("GMSL"). Also included in the Other segment is the discontinued operations of Beyond6, Inc. ("Beyond6") and PTGi International Carrier Services, Inc. and its subsidiaries ("ICS").

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, 2020, the results of DBMG, Genovel, R2, HC2 Broadcasting, CIG, GMSL, Beyond6, and ICS 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. 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 (Loss) 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 book basis and the tax basis 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.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations.

At December 31, 2020, our U.S. and foreign companies have significant deferred tax assets resulting from tax loss carryforwards. 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, 2020. 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 2019 and 2020 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 does not have a 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, 3 to 15 years for equipment, furniture and fixtures, and 3 to 20 years for transportation 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").

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 12. 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 U.S. Generally Accepted Accounting Principals ("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.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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.

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 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.

Discontinued Operations

In accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*, the Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results when the business is disposed of or classified as held-for-sale. Under ASC 360, *Property, Plant and Equipment*, assets may be classified as held-for-sale even though the discontinued operations criteria is not met. The results of discontinued operations are reported in Loss from discontinued operations in the Consolidated Statement of Operations.

Other income

The following table provides information relating to Other income (in millions):

	Years Ended December 31,	
	2020	2019
Gain (loss) on embedded derivatives	$ (2.8)	$ 5.4
Gain on sale of equity method investments	71.1	8.1
Other income (expenses), net	0.2	(7.2)
Total	$ 68.5	$ 6.3

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,	
	2020	2019
Cash and cash equivalents, beginning of period	$ 193.7	$ 300.7
Restricted cash included in other assets	1.4	5.1
Total cash and cash equivalents and restricted cash	$ 195.1	$ 305.8
Cash and cash equivalents, end of period	$ 232.3	$ 193.7
Restricted cash included in other assets	1.5	1.4
Total cash and cash equivalents and restricted cash	$ 233.8	$ 195.1
Cash and cash equivalents classified in Assets held for sale, beginning of period	$ 45.3	$ 24.2
Restricted cash classified in Assets held for sale	0.2	0.4
Total cash and cash equivalents and restricted cash classified in Assets held for sale	$ 45.5	$ 24.6
Cash and cash equivalents classified in Assets held for sale, end of period	$ 6.7	$ 45.3
Restricted cash classified in assets held for sale	0.2	0.2
Total cash and cash equivalents and restricted cash classified in Assets held for sale	$ 6.9	$ 45.5
Supplemental cash flow information:		
Cash paid for interest	$ 62.5	$ 70.9
Cash paid for taxes, net of refunds	$ (0.1)	$ 7.5
Non-cash investing and financing activities:		
Property, plant and equipment included in accounts payable	$ 2.3	$ 5.3
Investments included in accounts payable	$ 17.2	$ 30.1

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.

- The recast of GMSL, Beyond6, and ICS's results to discontinued operations. Further, the reclassification of prior period assets and liabilities have been classified as held for sale. See Note 3. Discontinued Operations for further information;

- As a result of the sale of GMSL, and in accordance with ASC 280, the Company no longer considers the results of operations and Balance Sheets of GMH and its subsidiaries as a separate segment. Formerly the Marine Services segment, these entities and the investment in HMN have been reclassified to the Other segment. See Note 22. Operating Segment and Related Information for further information; and

- As a result of the sale of ICS, and in accordance with ASC 280, the Company no longer considers the results of operations and Balance Sheets of ICS as a separate segment. Formerly the Telecommunications segment, this entity has been reclassified to the Other segment. See Note 22. Operating Segment and Related Information for further information; and

- As a result of the sale of Beyond, and in accordance with ASC 280, the Company no longer considers the results of operations and Balance Sheets of Beyond6 as a separate segment. Formerly the Clean Energy segment, this entity has been reclassified to the Other segment. See Note 22. Operating Segment and Related Information for further information; and

- The recast of prior year earnings per share as a result of the discontinued operations noted above. This includes presenting EPS for Net (loss) income from continuing operations, Net (loss) income from discontinuing operations, and Net (loss) income. See Note 23. Basic and Diluted Income Per Common Share for further details.

Accounting Pronouncements to be Adopted Subsequent to December 31, 2020

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 be 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 310-30 for debt securities for which an other-than-temporary impairment ("OTTI") was recognized prior to the date of adoption. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its Condensed Consolidated Financial Statements.

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

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

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

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

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

The Company anticipates a significant impact on its systems, processes and controls. While the requirements of the new guidance represent a material change from existing GAAP, the underlying economics of items in scope and related cash flows are unchanged. 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 Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements. The standard is effective January 1, 2021 (with early adoption permitted), and will impact, at least to some extent, the 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 Condensed 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 Condensed Consolidated Statements of Operations while the requirement to update the discount rate will increase volatility in the Company's Condensed 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.

On September 30, 2020, the FASB voted to delay the effective date of ASU 2018-12 to January 1, 2025 for smaller reporting companies. 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.

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. Discontinued Operations

The results of GMSL, ICS, and Beyond6, and the related expenses directly attributable to the entities were reported as discontinued operations. Summarized operating results of the discontinued operations are as follows (in millions):

	Years Ended December 31,	
	2020	2019
Net Revenue	$ 519.6	$ 907.2
Cost of revenue	492.4	828.9
Selling, general and administrative	26.2	37.3
Depreciation and amortization	12.6	33.0
Other operating expenses	0.3	4.4
Income (loss) from operations	(11.9)	3.6
Interest Expense	(7.7)	(19.1)
Loss on sale and liquidation of subsidiaries	(44.2)	—
Income from equity investees	0.5	0.6
Other income (loss)	(1.5)	(0.2)
Pre-tax loss from discontinued operations	(64.8)	(15.1)
Income tax benefit	1.0	1.2
Loss from discontinued operations	$ (63.8)	$ (13.9)

Sale of GMSL

The sale of GMSL closed on February 28, 2020. At the time of the sale, the Company recorded a $39.3 million loss on the sale, inclusive of recognizing a $31.3 million loss from the realization of AOCI. During the fourth quarter of 2020, the Company recognized a gain on sale of $2.4 million as a result of the cash collateralized bonding facility release.

The net proceeds from the sale of GMSL were used to repay $15.0 million under the 2019 Revolving Credit Agreement (as defined below) and redeem $76.9 million aggregate principal amount of Senior Secured Notes, plus accrued and unpaid interest since December 1, 2019 (the last regularly scheduled interest payment date).

As a result of the repayment of $15.0 million 2019 Revolving Credit Agreement, the Company allocated the following interest and the amortization of deferred financing costs for the years ended December 31, 2020 and 2019 associated with the principal prepayment from continuing operations to discontinued operations on the Company's Condensed Consolidated Statement of Operations:

	Years Ended December 31,	
	2020	2019
Interest expense	$ 0.2	$ 0.9
Amortization of deferred financing costs and original issuance discount	$ 0.1	$ 0.3

As a result of the mandatory redemption of $76.9 million on the Senior Secured Notes, the Company allocated the following pro-rata interest and amortization of deferred financing costs and original issuance discount for the years ended December 31, 2020 and 2019, from continuing operations to discontinued operations on the Company's Consolidated Statements of Operations:

	Years Ended December 31,	
	2020	2019
Interest expense	$ 2.2	$ 8.8
Amortization of deferred financing costs and original issuance discount	$ 0.2	$ 0.9

Sale of ICS

The sale of ICS and its subsidiary, Go2 Tel, Inc., closed on October 31, 2020. The Company recorded a $0.9 million gain on the sale and recognized $8.2 million of Accumulated other comprehensive loss related to the realization of foreign currency translation of PTGi International Carrier Services Ltd., which was essentially liquidated in conjunction with the sale. Proceeds were used for general corporate purposes.

Sale of Beyond6

On December 31, 2020, the Company announced a plan to sell Beyond6 to an affiliate of Mercuria Investments US, Inc., pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Beyond6, Greenfill, Inc., a Delaware Corporation ("Parent"), Greenfill Merger Inc., a newly-formed Delaware corporation and wholly-owned subsidiary of the Parent, and an affiliate of HC2 as the Stockholder Representative for the Beyond6 stockholders. The sale closed on January 15, 2021.

Summarized assets and liabilities of the discontinued operations are as follows (in millions):

	December 31, 2020	December 31, 2019
Assets		
Other invested assets	$ —	$ 16.9
Cash and cash equivalents	6.7	45.3
Accounts receivable, net	13.6	109.0
Property, plant and equipment, net	89.4	276.3
Goodwill	2.1	16.4
Intangibles, net	9.2	16.3
Other assets	5.4	75.0
Total assets held for sale	$ 126.4	$ 555.2
Liabilities		
Account payable and other current liabilities	$ 10.3	$ 148.9
Debt obligations	56.3	115.3
Pension liability	—	18.8
Other liabilities	8.1	51.9
Total liabilities held for sale	$ 74.7	$ 334.9

4. 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,	
	2020	2019
Revenue [(1)]		
Infrastructure	$ 676.6	$ 713.3
Spectrum	40.3	41.8
Other	—	0.5
Total revenue	$ 716.9	$ 755.6

(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,	
	2020	2019
Accounts receivables with customers		
Infrastructure	$ 168.5	$ 199.2
Spectrum	7.3	8.5
Total accounts receivables with customers	$ 175.8	$ 207.7

Infrastructure 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 Infrastructure 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 Infrastructure 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,	
	2020	2019
Commercial	$ 217.7	$ 205.4
Industrial	214.9	238.0
Transportation	72.6	64.8
Leisure	42.8	45.7
Healthcare	29.5	49.5
Convention	10.6	77.4
Other	87.8	32.1
Total revenue from contracts with customers	675.9	712.9
Other revenue	0.7	0.4
Total Infrastructure segment revenue	$ 676.6	$ 713.3

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 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,	
	2020	2019
Contract assets	$ 55.6	$ 50.6
Contract liabilities	$ (52.2)	$ (50.6)

The change in contract assets is a result of the recording of $30.4 million of costs in excess of billings driven by new commercial projects, offset by $25.4 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 $50.5 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 $48.9 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	$ 151.1	$ 2.9	$ 154.0
Convention	56.1	—	56.1
Healthcare	26.0	—	26.0
Industrial	49.4	—	49.4
Transportation	27.7	—	27.7
Leisure	10.4	—	10.4
Other	58.9	—	58.9
Remaining unsatisfied performance obligations	$ 379.6	$ 2.9	$ 382.5

DBMG includes an additional $12.0 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.

Spectrum 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 Spectrum segment's revenue by type (in millions):

	Years Ended December 31,	
	2020	2019
Network advertising	$ 18.4	$ 22.7
Broadcast station	15.5	11.9
Network distribution	4.0	4.9
Other	2.4	2.3
Total revenue from contracts with customers	40.3	41.8
Other revenue	—	—
Total Spectrum segment revenue	$ 40.3	$ 41.8

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

The transaction price allocated to remaining unsatisfied performance obligations consisted of $2.7 million, $6.3 million, and $0.2 million of network advertising, broadcasting station revenues, and other revenues respectively of which $5.5 million is expected to be recognized within one year and $3.7 million is expected to be recognized within five years.

5. Acquisitions, Dispositions, and Deconsolidations

Spectrum Segment

During the year ended December 31, 2019, HC2 Broadcasting acquired a series of licenses for a total consideration of $20.5 million. All transactions were accounted for as asset acquisitions.

Other Segment

Sale of GMSL

On January 30, 2020, the Company announced that, through its indirect subsidiary GMH in which the Company holds an approximately 73% controlling interest, the Company 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 was $250.0 million, subject to customary purchase price adjustments, working capital adjustments, and a potential earn-out of up to $12.5 million at such time, if any, if 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 Share Purchase Agreement contains customary representations, warranties and covenants for a transaction of this nature. In connection with the closing of the transaction, the purchaser deposited (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, the purchaser shall pay an amount equal to $2.4 million on the earlier of December 31, 2020 and the date on which a cash collateralized bonding facility is released.

The transaction closed on February 28, 2020. GMH received approximately $144.0 million of net proceeds from the sale, of which $36.8 million and $5.5 million were paid to noncontrolling interest holders and redeemable noncontrolling interest holders, respectively. HC2 received net proceeds of approximately $100.8 million.

In the first quarter of 2020, the Company recorded a $39.3 million loss, inclusive of recognizing a $31.3 million loss from the realization of AOCI. During the fourth quarter of 2020, the Company recognized a gain on sale of $2.4 million as a result of the cash collateralized bonding facility release.

Sale of HMN

On October 30, 2019, the Company announced the sale of its stake in HMN, its 49% joint venture with Huawei Technologies Co., Ltd., to Hengtong Optic-Electric Co Ltd. The sale valued HMN at $285 million, and GMH's 49% stake, through New Saxon, at approximately $140 million.

Under the terms of the Sale and Purchase Agreement, the sale of New Saxon’s 49% interest in HMN will be affected in two tranches. The sale of the portion of New Saxon’s 30% interest of HMN, closed on May 12, 2020 (the "First HMN Close"). The remaining 19% interest of HMN is retained by New Saxon and subject to a put option agreement by New Saxon, exercisable starting on the second year anniversary of the closing date of the First HMN Close at a price equal to the greater of the share price paid for the 30% interest or fair market value as of the exercisable date.

In conjunction with the first tranche of the sale, the Company received $85.5 million in cash, of which $17.5 million and $2.1 million were paid to noncontrolling interest holders and redeemable noncontrolling interest holders, respectively. New Saxon recorded a $71.1 million gain, included in Other income (loss) in the Condensed Consolidated Statements of Operations. The gain recognized includes $11.3 million related to the fair value of the put option. In addition, the Company recorded a $7.2 million tax expense related to a foreign tax payment when the first tranche closed.

Sale of ICS

The sale of ICS and its subsidiary, Go2 Tel, Inc., closed on October 31, 2020. The Company recorded a $0.9 million gain on the sale and recognized $8.2 million of Accumulated other comprehensive loss related to the realization of foreign currency translation of PTGi International Carrier Services Ltd., which was essentially liquidated in conjunction with the sale. The proceeds were used for general corporate purposes.

Sale of Beyond6

On December 31, 2020, the Company announced a plan to sell Beyond6 to an affiliate of Mercuria Investments US, Inc., pursuant to an Agreement and Plan of Merger (the "Merger Agreement") among Beyond6, Greenfill, Inc., a Delaware Corporation ("Parent"), Greenfill Merger Inc., a newly-formed Delaware corporation and wholly-owned subsidiary of the Parent, and an affiliate of HC2 as the Stockholder Representative for the Beyond6 stockholders, for a total consideration of $70.0 million, subject to working capital adjustments. The sale closed on January 15, 2021.

See Note 3. Discontinued Operations for further details.

6. Investments

Fixed Maturity Securities

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

December 31, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and government agencies	$ 7.3	$ 1.1	$ —	$ 8.4
States, municipalities and political subdivisions	383.5	58.4	—	441.9
Residential mortgage-backed securities	49.3	4.6	(1.0)	52.9
Commercial mortgage-backed securities	104.7	2.0	(9.3)	97.4
Asset-backed securities	415.0	2.2	(14.1)	403.1
Corporate and other	2,970.1	510.6	(28.3)	3,452.4
Total fixed maturity securities	$ 3,929.9	$ 578.9	$ (52.7)	$ 4,456.1

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

The amortized cost and fair value of fixed maturity securities available-for-sale as of December 31, 2020 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	$ 52.3	$ 53.1
Due after one year through five years	278.6	290.9
Due after five years through ten years	483.6	519.8
Due after ten years	2,546.4	3,038.9
Subtotal	3,360.9	3,902.7
Mortgage-backed securities	154.0	150.3
Asset-backed securities	415.0	403.1
Total	$ 3,929.9	$ 4,456.1

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

	December 31, 2020			December 31, 2019		
	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
Finance, insurance, and real estate	$ 1,123.2	$ 1,208.2	35.0 %	$ 632.2	$ 674.9	23.8 %
Transportation, communication and other services	684.3	799.0	23.1 %	785.7	855.2	30.3 %
Manufacturing	700.0	884.9	25.6 %	728.7	825.9	29.2 %
Other	462.6	560.3	16.3 %	422.5	471.0	16.7 %
Total	$ 2,970.1	$ 3,452.4	100.0 %	$ 2,569.1	$ 2,827.0	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,	
	2020	2019
Net realized and unrealized gains on investments	$ 6.8	$ 2.1
Other income (expenses), net	0.1	0.3
Total other-than-temporary impairments	$ 6.9	$ 2.4

The following table presents the total unrealized losses for the 125 and 139 fixed maturity securities held by the Company as of December 31, 2020 and December 31, 2019, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in millions):

	December 31, 2020		December 31, 2019	
Fixed maturity securities	Unrealized Losses	% of Total	Unrealized Losses	% of Total
Less than 20%	$ (50.3)	95.4 %	$ (32.6)	97.6 %
20% or more for less than six months	(0.2)	0.4 %	—	— %
20% or more for six months or greater	(2.2)	4.2 %	(0.8)	2.4 %
Total	$ (52.7)	100.0 %	$ (33.4)	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, 2020. 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 125 and 139 fixed maturity securities held by the Company that have estimated fair values below amortized cost as of each of December 31, 2020 and December 31, 2019, 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, 2020	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	$ —	$ —	$ —	$ —	$ —	$ —
States, municipalities and political subdivisions	0.3	—	—	—	0.3	—
Residential mortgage-backed securities	2.9	(0.2)	3.8	(0.8)	6.7	(1.0)
Commercial mortgage-backed securities	62.2	(9.3)	0.2	—	62.4	(9.3)
Asset-backed securities	86.5	(3.6)	158.4	(10.5)	244.9	(14.1)
Corporate and other	179.1	(9.0)	114.6	(19.3)	293.7	(28.3)
Total fixed maturity securities	$ 331.0	$ (22.1)	$ 277.0	$ (30.6)	$ 608.0	$ (52.7)

December 31, 2019	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	$ 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)

As of December 31, 2020, investment grade fixed maturity securities (as determined by nationally recognized rating agencies) represented approximately 70.0% of the gross unrealized loss and 79.9% of the fair value. As of December 31, 2019, investment grade fixed maturity securities represented approximately 68.3% of the gross unrealized loss and 81.8% 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	2020	2019
Common stock	$ 4.0	$ 10.5
Perpetual preferred stock	73.3	82.0
Total equity securities	$ 77.3	$ 92.5

Other invested assets

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

	December 31, 2020		December 31, 2019	
	Measurement Alternative	Equity Method	Measurement Alternative	Equity Method
Common stock	$ —	$ 2.5	$ —	$ 2.4
Preferred stock	—	10.0	—	16.1
Other	11.3	33.4	—	49.6
Total	$ 11.3	$ 45.9	$ —	$ 68.1

Net investment income

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

	Years Ended December 31,	
	2020	2019
Fixed maturity securities, available-for-sale at fair value	$ 177.4	$ 177.3
Equity securities	2.9	7.6
Mortgage loans	12.5	15.0
Policy loans	1.1	1.1
Other invested assets	(3.9)	4.0
Gross investment income	190.0	205.0
External investment expense	(1.1)	(1.2)
Net investment income	$ 188.9	$ 203.8

Net realized and unrealized gains (losses) on investments

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

	Years Ended December 31,	
	2020	2019
Realized gains on fixed maturity securities	$ 17.2	$ 10.6
Realized losses on fixed maturity securities	(17.7)	(10.2)
Realized gains on equity securities	0.2	3.4
Realized losses on equity securities	(2.3)	(3.3)
Realized gains on mortgage loans	2.2	1.0
Realized losses on mortgage loans	—	(0.3)
Net unrealized gains (losses) on equity securities	(8.8)	3.4
Net unrealized gains (losses) on derivative instruments	0.9	(1.7)
Impairment loss	(6.8)	(2.2)
Net realized and unrealized gains (losses)	$ (15.1)	$ 0.7

7. 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, 2020		Fair Value Measurement Using:		
	Total	Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	$ 8.4	$ 5.4	$ 3.0	$ —
States, municipalities and political subdivisions	441.9	—	441.9	—
Residential mortgage-backed securities	52.9	—	45.6	7.3
Commercial mortgage-backed securities	97.4	—	64.0	33.4
Asset-backed securities	403.1	—	36.1	367.0
Corporate and other	3,452.4	44.7	3,176.0	231.7
Total fixed maturity securities	4,456.1	50.1	3,766.6	639.4
Equity securities				
Common stocks	4.0	3.5	—	0.5
Perpetual preferred stocks	73.3	5.1	20.8	47.4
Total equity securities	77.3	8.6	20.8	47.9
Total assets accounted for at fair value	$ 4,533.4	$ 58.7	$ 3,787.4	$ 687.3
Liabilities				
Embedded derivative	$ 5.8	$ —	$ —	$ 5.8
Other	0.4	—	—	0.4
Total liabilities accounted for at fair value	$ 6.2	$ —	$ —	$ 6.2

December 31, 2019	Total	Fair Value Measurement Using: 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 Derivatives	$ 3.0	$ —	$ —	$ 3.0
Other	1.3	—	—	1.3
Total liabilities accounted for at fair value	$ 4.3	$ —	$ —	$ 4.3

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 $51.5 million primarily related to corporate securities during the year ended December 31, 2020. The Company’s assessment resulted in a net transfer out of Level 3 of $135.8 million primarily related to corporate securities during the year ended December 31, 2019.

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, 2020 and 2019 (in millions):

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2019	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, 2020
Assets								
Fixed maturity securities								
States, municipalities and political subdivisions	$ —	$ 0.2	$ 1.1	$ —	$ (3.0)	$ 15.2	$ (13.5)	$ —
Residential mortgage-backed securities	9.2	0.1	(1.1)	—	(2.5)	6.8	(5.2)	7.3
Commercial mortgage-backed securities	34.6	(2.0)	(1.1)	—	(1.9)	30.0	(26.2)	33.4
Asset-backed securities	550.6	(8.0)	4.3	60.1	(251.5)	191.8	(180.3)	367.0
Corporate and other	111.0	(3.9)	1.3	101.1	(9.0)	76.8	(45.6)	231.7
Total fixed maturity securities	705.4	(13.6)	4.5	161.2	(267.9)	320.6	(270.8)	639.4
Equity securities								
Common stocks	3.4	(2.9)	—	—	—	—	—	0.5
Perpetual preferred stocks	54.2	2.3	(9.4)	—	(1.4)	1.7	—	47.4
Total equity securities	57.6	(0.6)	(9.4)	—	(1.4)	1.7	—	47.9
Total financial assets	$ 763.0	$ (14.2)	$ (4.9)	$ 161.2	$ (269.3)	$ 322.3	$ (270.8)	$ 687.3

	Balance at December 31, 2019	Total realized/unrealized (gains) losses included in: 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, 2020
Liabilities								
Embedded derivative	$ 3.0	$ 2.8	$ —	$ —	$ —	$ —	$ —	$ 5.8
Other	1.3	(0.9)	—	—	—	—	—	0.4
Total financial liabilities	$ 4.3	$ 1.9	$ —	$ —	$ —	$ —	$ —	$ 6.2

	Balance at December 31, 2018	Total realized/unrealized gains (losses) included in: 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
Derivatives	—	—	—	—	—	—	—	—
Total financial assets	$ 701.6	$ (9.9)	$ 21.3	$ 223.2	$ (309.0)	$ 309.4	$ (173.6)	$ 763.0

	Balance at December 31, 2018	Total realized/unrealized (gains) losses included in: 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 derivatives	$ 8.4	$ (5.4)	$ —	$ —	$ —	$ —	$ —	$ 3.0
Other	1.8	(0.5)	—	—	—	—	—	1.3
Total financial liabilities	$ 10.2	$ (5.9)	$ —	$ —	$ —	$ —	$ —	$ 4.3

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, 2020			Fair Value Measurement Using:		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Assets					
Mortgage loans	$ 57.2	$ 57.2	$ —	$ —	$ 57.2
Policy loans	17.8	17.8	—	17.8	—
Other invested assets	11.3	11.3	—	—	11.3
Total assets not accounted for at fair value	$ 86.3	$ 86.3	$ —	$ 17.8	$ 68.5
Liabilities					
Annuity benefits accumulated [(1)]	$ 237.8	$ 235.2	$ —	$ —	$ 235.2
Long-term obligations [(2)]	560.4	578.8	—	578.8	—
Total liabilities not accounted for at fair value	$ 798.2	$ 814.0	$ —	$ 578.8	$ 235.2

December 31, 2019			Fair Value Measurement Using:		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	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)]	722.2	718.0	—	718.0	—
Total liabilities not accounted for at fair value	$ 956.1	$ 949.0	$ —	$ 718.0	$ 231.0

[(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.

8. Accounts Receivable, net

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

	December 31,	
	2020	2019
Contracts in progress	$ 118.6	$ 149.0
Unbilled retentions	50.3	51.7
Trade receivables	7.5	8.3
Other receivables	8.9	21.0
Allowance for doubtful accounts	(0.6)	(1.1)
Total	$ 184.7	$ 228.9

9. Inventory

Inventory is recognized in the Consolidated Balance Sheets within Other assets, and consists of the following (in millions):

	December 31, 2020	December 31, 2019
Raw materials and consumables	$ 8.7	$ 9.6
Work in process	—	0.8
Finished goods	1.2	0.3
Total	$ 9.9	$ 10.7

10. Recoverable from Reinsurers

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

		December 31, 2020		December 31, 2019	
Reinsurer	A.M. Best Rating	Amount	% of Total	Amount	% of Total
Munich American Reassurance Company	A+	$ 366.6	38.3 %	$ 347.6	36.4 %
Hannover Life Reassurance Company of America	A+	306.3	32.0 %	323.3	33.9 %
Loyal American Life Insurance Company	A	150.7	15.7 %	147.5	15.5 %
Great American Life Insurance Company	A+	57.4	6.0 %	56.2	5.9 %
ManhattanLife Assurance Company of America	B+	46.4	4.8 %	47.0	4.9 %
Other		30.1	3.2 %	32.1	3.4 %
Total		$ 957.5	100.0 %	$ 953.7	100.0 %

11. Property, Plant and Equipment, net

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

	December 31, 2020	December 31, 2019
Equipment, furniture and fixtures, and software	$ 116.3	$ 117.8
Building and leasehold improvements	41.3	40.1
Land	24.1	24.4
Construction in progress	3.1	2.9
Plant and transportation equipment	4.4	4.9
	189.2	190.1
Less: Accumulated depreciation	75.3	60.6
Total	$ 113.9	$ 129.5

Depreciation expense was $21.1 million and $21.6 million for the years ended December 31, 2020 and 2019, respectively. These amounts included $9.1 million of depreciation expense recognized within cost of revenue for each of the years ended December 31, 2020 and 2019.

As of December 31, 2020 and 2019 the total net book value of equipment under capital leases consisted of $0.9 million and $2.1 million, respectively.

12. Goodwill and Intangibles, net

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. The Company reports goodwill impairment charges within the Asset impairment expense line of our Consolidated Statements of Operations. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and its impact on each of the reporting units. Further, the Company assessed the current market capitalization, forecasts and the amount of headroom in the 2020 impairment test.

Spectrum

As a result of the goodwill assessment, the Company determined that COVID-19's impact to the Spectrum segment in the first quarter of 2020 was a "triggering event" and, as required, performed a quantitative analysis, with the assistance of a third-party valuation firm, of the value of the Spectrum reporting unit and its indefinite-lived intangible assets. Based on the analysis, the Company determined that the fair value of the Spectrum reporting unit and the related indefinite-lived intangible assets continue to exceed their carrying values and were not impaired as of March 31, 2020.

Determining the fair value of the Spectrum reporting unit and indefinite-lived intangible assets requires significant judgment and estimates by management, utilizing the income-approach, which utilizes several key inputs, including future cash flows consistent with management's strategic plans, sales growth rates and a discount rate, amongst others. Estimating sales growth rates requires significant judgment by management in areas such as future economic conditions, growth rates, pricing, and consumer tastes and preferences. Given the inherent uncertainties in estimating the future impacts of the COVID-19 pandemic on global macroeconomic conditions and interest rates in general and on the Spectrum business, actual results may differ from management's current estimates and could have an adverse impact on one or more of the assumptions used in our quantitative models related to the Spectrum reporting unit, resulting in potential impairment charges in subsequent periods. At March 31, 2020, while the fair value of the Spectrum reporting unit declined, the fair value of the Spectrum reporting unit continued to exceed its carrying value.

At December 31, 2020, the Company further reviewed qualitative factors of potential impairment for Goodwill and Intangible assets, inclusive of further impact of COVID-19, and there were no triggering events which would indicate impairment may have occurred.

Insurance

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.

Goodwill

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

	Infrastructure	Spectrum	Insurance	Total
Balance at December 31, 2018	$ 82.2	$ 21.4	$ 47.3	$ 150.9
Measurement Period Adjustment	7.1	—	—	7.1
Impairments	—	—	(47.3)	(47.3)
Translation	(0.3)	—	—	(0.3)
Balance at December 31, 2019	89.0	21.4	—	110.4
Translation	0.6	—	—	0.6
Balance at December 31, 2020	$ 89.6	$ 21.4	$ —	$ 111.0

Indefinite-lived Intangible Assets

The carrying amount of indefinite-lived intangible assets were as follows (in millions):

	December 31,	
	2020	2019
FCC licenses	$ 113.0	$ 136.2
State licenses	2.5	2.5
Total	$ 115.5	$ 138.7

The Spectrum 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 2020, FCC licenses decreased $23.2 million. The decrease was primarily related to $20.5 million of dispositions and $3.0 million of impairments.

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):

		December 31, 2020			December 31, 2019		
	Weighted-Average Original Useful Life	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	14 years	$ 18.0	$ (4.6)	$ 13.4	$ 17.9	$ (3.2)	$ 14.7
Customer relationships	9 years	36.4	(12.1)	24.3	36.2	(8.8)	27.4
Channel sharing arrangements	35 years	20.2	(1.6)	18.6	27.2	(0.9)	26.3
Other	7 years	5.5	(2.7)	2.8	5.4	(1.9)	3.5
Total		$ 80.1	$ (21.0)	$ 59.1	$ 86.7	$ (14.8)	$ 71.9

During the third quarter of 2020, the Spectrum segment recorded an impairment of certain channel sharing arrangements of $7.0 million as a result of management's decision to sell certain non-core assets.

Amortization expense for definite lived intangible assets was $6.0 million and $9.9 million for the years ended December 31, 2020 and 2019, 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 in net income for the respective period. Negative amortization of VOBA was $21.3 million and $23.5 million for the years ended December 31, 2020 and 2019, 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
2021	$ 5.9	$ (19.6)
2022	5.7	(18.3)
2023	5.6	(17.1)
2024	5.5	(15.8)
2025	4.9	(14.7)
Thereafter	31.5	(114.3)
Total	$ 59.1	$ (199.8)

13. Life, Accident and Health Reserves

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

	December 31, 2020	December 31, 2019
Long-term care insurance reserves	$ 4,269.0	$ 4,201.6
Traditional life insurance reserves	166.0	173.4
Other accident and health insurance reserves	192.5	192.1
Total life, accident and health reserves	$ 4,627.5	$ 4,567.1

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, 2020	Years Ended December 31, 2019
Beginning balance	$ 761.3	$ 738.7
Less: recoverable from reinsurers	(131.0)	(136.4)
Beginning balance, net	630.3	602.3
Current year	217.5	211.8
Prior years	(49.8)	(47.2)
Total incurred	167.7	164.6
Paid related to insured events of:		
Current year	(18.2)	(17.5)
Prior years	(152.1)	(141.0)
Total paid	(170.3)	(158.5)
Interest on liability for policy and contract claims	22.5	21.9
Ending balance, net	650.2	630.3
Add: recoverable from reinsurers	132.2	131.0
Ending balance	$ 782.4	$ 761.3

The Insurance segment experienced a favorable claims reserve development of $49.8 million and $47.2 million for the years ended December 31, 2020 and 2019, respectively.

The main drivers of the current year were favorable development with paid claims and claim terminations in the current year for claims incurred prior to 2020. This favorable development in the current year relative to the prior year was influenced by the COVID-19 pandemic.

The main drivers of the prior 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.

14. Accounts Payable and Other Current Liabilities

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

	December 31, 2020	December 31, 2019
Accounts payable	$ 69.7	$ 68.6
Accrued expenses and other current liabilities	52.7	70.1
Accrued payroll and employee benefits	38.2	38.7
Accrued interest	13.9	11.3
Accrued income taxes	1.8	1.9
Total accounts payable and other current liabilities	$ 176.3	$ 190.6

15. Debt Obligations

Debt obligations consist of the following (in millions):

	December 31, 2020	December 31, 2019
Infrastructure		
LIBOR plus 5.85% Note, due 2023	$ 71.6	$ 77.0
LIBOR plus 1.5% Line of Credit	38.7	48.9
Obligations under finance leases	0.2	0.2
Spectrum		
8.50% Note due 2021	19.3	36.2
10.50% Note due 2021	32.9	42.5
Other, various maturity dates	2.9	7.9
Obligations under finance leases	0.6	1.4
Non-Operating Corporate		
11.50% Senior Secured Notes, due 2021 (1)	340.4	470.0
7.50% Convertible Senior Notes, due 2022 (2)	55.0	55.0
LIBOR plus 6.75% Line of Credit (3)	15.0	15.0
Total	576.6	754.1
Issuance discount, net and deferred financing costs	(15.1)	(30.2)
Debt obligations	$ 561.5	$ 723.9

(1) On February 1, 2021, the Company closed on $330.0 million of 8.500% senior secured notes due 2026 at an issue price of 100%. The proceeds from the issuance of the Notes were used to redeem in full HC2's existing 11.50% senior secured notes and repay the outstanding indebtedness under the 2020 Revolving Credit Agreement.

(2) As part of the February 1, 2021 refinancing of the senior secured notes, HC2 entered into exchange agreements with certain holders of approximately $51.8 million of our outstanding 7.50% Convertible Senior Notes due June 1, 2022, which extended the maturity date of the notes to August 1, 2026.

(3) On February 23, 2021, the Company entered into a third amendment of the 2020 Revolving Credit Agreement with MSD PCOF Partners IX, LLC, increasing the aggregate principal amount of the Revolving Credit Facility to $20.0 million, and extending the maturity date of the Revolving Credit Facility to February 23, 2024.

Aggregate finance lease and debt payments, including interest are as follows (in millions):

	Finance Leases	Debt	Total
2021	$ 0.7	$ 504.2	$ 504.9
2022	0.1	69.6	69.7
2023	—	71.8	71.8
2024	—	7.8	7.8
2025	—	—	—
Thereafter	—	—	—
Total minimum principal and interest payments	0.8	653.4	654.2
Less: Amount representing interest	—	(77.6)	(77.6)
Total aggregate finance lease and debt payments	$ 0.8	$ 575.8	$ 576.6

The interest rates on the finance leases range from approximately 2.0% to 11.5%.

Infrastructure

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.

In April 2020, the Wells Fargo Facility was amended, increasing LIBOR floor from zero to 0.75%.

As of December 31, 2020, $17.0 million was issued through term loans and $21.7 million was issued through the revolver. In addition, $9.8 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. In April 2020, the TWC Loan was amended, increasing the LIBOR floor from 1.50% to 1.75% and linking the margin rate to certain covenant levels. The TCW Loan bears interest at a rate of 5.85% above the three month LIBOR.

Spectrum

As of December 31, 2018, there were $35.0 million of 8.50%, 364-day Secured Notes ("Secured Note") which were issued on August 7, 2018. In January 2019, the capacity of the Secured Note was increased by $15.0 million to $50.0 million and institutional investors funded $7.5 million of the Secured Note bringing the total outstanding balance to $42.5 million. In April 2019, an additional $0.7 million of notes were issued at 8.50%. In May, August, and September of 2019, Spectrum issued an additional $21.5 million of notes bearing interest of 8.50%.

On October 24, 2019, Spectrum issued $78.7 million 364-day secured notes (the "2020 Notes"). The 2020 Notes were comprised of a $36.2 million, 8.50%,tranche, funded by an affiliate of MSD Partners, L.P. (the “8.50% Note”). The remaining $42.5 million, 10.50% tranche (the “10.50% Note”) was a modification of the existing Secured Note, with certain institutional investors. The 2020 Notes had an original maturity date of October 2020, and were amended multiple times during 2020 as further described below. 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, Spectrum 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.

In February 2020, Spectrum amended its agreement governing its 8.50% Note funded by MSD Partners, L.P., increasing the principal balance to $39.3 million. The proceeds were used to repay principal and interest on existing debt. In August 2020, Spectrum modified its agreement with MSD Partners, L.P. and Great American Life Insurance Company to extend the maturity on its 8.50% Note and 10.50% Note to October 2021. In September 2020, Spectrum further amended its agreement governing 8.50% Note, increasing the principal balance by $4.0 million to $43.3 million. The proceeds were used to repay principal and interest on existing debt and for general business purposes. In November 2020, Spectrum paid down $2.9 million of its 8.50% Note and $3.0 million on other various notes. In December 2020, Spectrum paid down $21.0 million and $9.6 million of its 8.5% Note and 10.5% Note, respectively from the proceeds from the sale of stations.

Non-Operating Corporate

On November 20, 2018, HC2 repaid its 11.0% Notes, and issued $470.0 million aggregate principal amount of 11.50% 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.

In March 2020, with the cash proceeds from the sale of GMSL, HC2 redeemed $76.9 million of its Senior Secured Notes at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $5.4 million in extinguishment loss related to the redemption of its Senior Secured Notes, which is included in Loss on early extinguishment or restructuring of debt in our Condensed Consolidated Statement of Operations.

In June 2020, with the cash proceeds from the partial sale of New Saxon's interest in HMN, HC2 redeemed $50.6 million of its Senior Secured Notes at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $3.4 million in extinguishment loss related to the this redemption, which is included in Loss on early extinguishment or restructuring of debt in our Condensed Consolidated Statement of Operations.

In October 2020, HC2 redeemed an additional $2.1 million of its Senior Secured Notes at a price equal to 104.5% of the principal amount plus accrued interest through the redemption date. HC2 recognized $0.1 million in extinguishment loss related to the this redemption, which is included in Loss on early extinguishment or restructuring of debt in our Condensed Consolidated Statement of Operations.

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 234.2971 shares of our common stock, which is equivalent to an initial conversion price of approximately $4.27 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 $5.8 million as of December 31, 2020, 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, 2020, the Convertible Notes had a net carrying value of $48.1 million and an unamortized discount of $6.0 million. Based on the closing price of our common stock of $3.26 on December 31, 2020, the if-converted value of the Convertible Notes did not exceed its principal value.

For the year ended December 31, 2020, 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 $3.4 million, respectively. 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.

Line of credit

In April 2019, HC2 entered into a $15.0 million secured revolving credit agreement (the “2019 Revolving Credit Agreement”) with MSD PCOF Partners IX, LLC. The 2019 Revolving Credit Agreement matures in June 2021. Loans under the 2019 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 2019 Revolving Credit Agreement, respectively. The Company used the proceeds for working capital and general corporate purposes.

In March 2020, with the cash proceeds from the sale of GMSL, HC2 fully repaid its $15.0 million 2019 Revolving Credit Agreement. HC2 recognized $0.4 million in extinguishment loss related to the repayment of the 2019 Revolving Credit Agreement, which is included in Loss on early extinguishment or restructuring of debt in our Condensed Consolidated Statement of Operations.

In March 2020, HC2 entered into a new $15.0 million secured revolving credit agreement (the “2020 Revolving Credit Agreement”). The 2020 Revolving Credit Agreement matures in September 2021. Loans under the 2020 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 2020 and May 2020, HC2 drew $10.0 million and $5.0 million of the 2020 Revolving Credit Agreement, respectively. The Company used the proceeds for general corporate purposes.

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 11.50% 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 was 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.

Convertible Notes Terms and Conditions

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 was 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, 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.

2020 Revolving Credit Agreement

Lender. MSD PCOF Partners IX, LLC ("MSD")

Ranking. Obligations under the 2020 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.

HC2 is in compliance with our debt covenants as of December 31, 2020.

16. 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, 2020 and 2019, lease right-of-use assets and lease liabilities consists of the following (in millions):

	December 31,	
	2020	2019
Right-of-use assets:		
Operating lease (Other assets)	$ 44.3	$ 47.4
Finance lease (Property, plant and equipment, net)	0.9	2.1
Total right-of-use assets	$ 45.2	$ 49.5
Lease liabilities:		
Operating lease (Other liabilities)	$ 47.5	$ 51.0
Finance lease (Debt obligations)	0.8	1.6
Total lease liabilities	$ 48.3	$ 52.6

The tables below present financial information associated with the Company's leases. This information is presented as of, and for the years ended December 31, 2020 and 2019. The Company has entered into operating and finance lease agreements primarily for land, office space, equipment and vehicles, expiring between 2021 and 2045.

The following table summarizes the components of lease expense for the year ended December 31, 2020 and 2019 (in millions):

	Years Ended December 31,	
	2020	2019
Finance lease cost:		
Amortization of right-of-use assets	$ 1.3	$ 1.2
Interest on lease liabilities	0.1	0.2
Net finance lease cost	1.4	1.4
Operating lease cost	17.1	13.8
Variable lease cost	0.3	0.3
Sublease income	—	(0.1)
Total lease cost	$ 18.8	$ 15.4

Cash flow information related to leases for the year ended December 31, 2020 and 2019 are as follows (in millions):

	Years Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 0.1	$ 0.2
Financing cash flows from finance leases	$ 0.9	$ 1.4
Operating cash flows from operating leases	$ 17.0	$ 13.9
Right-of-use assets obtained in exchange for new lease liabilities		
Finance leases	$ 0.1	$ 2.1
Operating leases	$ 15.8	$ 60.3

As of December 31, 2020 and 2019, the weighted-average remaining lease term and the weighted-average discount rate for finance leases and operating leases are as follows:

	December 31,	
	2020	2019
Weighted-average remaining lease term (years) - operating lease	4.3	5.0
Weighted-average remaining lease term (years) - finance lease	0.9	1.8
Weighted-average discount rate - operating lease	6.0 %	6.2 %
Weighted-average discount rate - finance lease	8.9 %	9.4 %

As of December 31, 2020, undiscounted cash flows for finance and operating leases are as follows (in millions):

	Operating Leases	Finance Leases
2021	$ 15.1	$ 0.7
2022	12.8	0.1
2023	10.7	—
2024	8.0	—
2025	4.0	—
Thereafter	4.2	—
Total future lease payments	54.8	0.8
Less: Present values	(7.3)	—
Total lease liability balance	$ 47.5	$ 0.8

The Company expects $0.9 million of lease payments in 2021 resulting from short-term leases not accounted for under ASC 842.

17. Income Taxes

The provisions (benefits) for income taxes for the years ended December 31, 2020 and 2019 were as follows (in millions):

	Years Ended December 31,	
	2020	2019
Current: Federal	$ (9.2)	$ 3.8
State	1.7	2.4
Foreign	9.5	1.4
Subtotal Current	2.0	7.6
Deferred: Federal	5.0	(27.0)
State	0.1	(0.1)
Foreign	3.4	(0.1)
Subtotal Deferred	8.5	(27.2)
Income tax (benefit) expense	$ 10.5	$ (19.6)

The US and foreign components of income (loss) from continuing operations before income taxes for the years ended December 31, 2020 and 2019 were as follows (in millions):

	Years Ended December 31,	
	2020	2019
US	$ (106.1)	$ (49.7)
Foreign	78.3	7.9
Income (loss) from continuing operations before income taxes	$ (27.8)	$ (41.8)

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, 2020 and 2019 (in millions):

	Years Ended December 31,	
	2020	2019
Tax provision (benefit) at federal statutory rate	$ (5.8)	$ (8.8)
Permanent differences	(0.3)	0.2
State tax, net of federal benefit	(6.8)	(7.3)
Foreign rate differential	0.2	0.5
Minority interest	—	0.2
Executive and stock compensation	1.2	2.5
Increase (decrease) in valuation allowance	24.1	(9.5)
Transaction costs	0.5	—
Return to provision	4.3	(6.0)
ASU 2017-11 adoption	—	(1.3)
Goodwill impairment	—	10.0
Transition to the Coronavirus Aid, Relief, and Economic Security Act	(10.9)	—
Withholding Tax Expense	7.3	—
Gain/loss on sale or deconsolidation of a subsidiary	(6.4)	—
Outside Basis Difference	(0.9)	—
Contingent Liability	2.2	—
AOCI Recycling	2.1	—
Other	(1.8)	(1.8)
Warrant Liability	1.5	1.7
Income tax (benefit) expense	$ 10.5	$ (19.6)

The income tax expense as of December 31, 2020 is $10.5 million. The amount recorded primarily relates to tax expense incurred in China from the partial sale of HMN and the tax expense as calculated under ASC 740 for taxpaying entities, primarily the Insurance segment, offset by the gain on sale of HMN entities in the second quarter of 2020 and a tax benefit from the carryback of net operating losses at the Insurance segment as a result of the enactment of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the first quarter of 2020. 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.

The income tax benefit was $19.6 million for the year ended December 31, 2019. 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.

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, 2020 and 2019 (in millions):

	December 31,	
	2020	2019
Net operating loss carryforwards	$ 72.9	$ 89.2
Basis difference in fixed assets	0.8	3.2
Deferred compensation	7.3	12.7
Lease liability	13.0	17.4
UK trading loss carryforward	—	38.3
Sec. 163(j) carryforward	58.6	39.6
Insurance claims and reserves	176.4	166.1
Value of insurance business acquired ("VOBA")	43.7	48.5
Deferred acquisition costs	19.0	16.7
Other deferred tax assets	21.2	14.3
Total deferred tax assets	412.9	446.0
Valuation allowance	(110.6)	(121.8)
Total net deferred tax assets	302.3	324.2
Basis difference in intangibles	(22.7)	(19.1)
Basis difference in fixed assets	(22.3)	(24.8)
Insurance company investments	(373.1)	(335.0)
Right of use assets	(12.1)	(16.2)
Other deferred tax liabilities	(11.1)	(10.1)
Total deferred tax liabilities	(441.3)	(405.2)
Net deferred tax liabilities	$ (139.0)	$ (81.0)

At December 31, 2020, the above deferred tax asset, $8.6 million of deferred tax asset and $0.4 million of valuation allowance is classified as held for sale asset on the balance sheet, and $9.3 million of deferred tax liability is classified as held for sale liabilities on the balance sheet. At December 31, 2019, $51.3 million of deferred tax asset and $41.0 million of valuation allowance is classified as held for sale asset on the balance sheet, and $12.5 million of deferred tax liability is classified as held for sale liabilities on the balance sheet. 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, 2020 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 establish 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 the Insurance Company is in a cumulative three-year income position which is expected to continue as supported by the projections of future income. As such, a valuation allowance was not recorded against the deferred tax assets of the Insurance Company.

Valuation allowances have been maintained against deferred tax assets based on 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, 2020, the Company has gross U.S. net operating loss carryforwards available to reduce future taxable income in the amount of $170.3 million. The Company expects that approximately $96.0 million of the gross U.S. net operating loss carryforwards would be available to offset taxable income in 2021. This estimate may change based on changes to actual results reported on the 2020 U.S. tax return. The amount of U.S. net operating loss carryforwards reflected in the financial statements differ from the amounts reported on the U.S. tax return due to uncertain tax positions related to tax laws and regulations that are subject to varied interpretation by the IRS.

Additionally, the Company has $112.6 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 $49.6 million from R2, $29.5 million from DTV America, and $29.3 million from ANG which is a discontinued operation and classified as held for sale, 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 $52.6 million, generated after 2017 have an indefinite carryforward period. U.S. net operating loss carryforwards, in the amount of $117.7 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, and, 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, 2020, the Company had foreign operating loss carryforwards of approximately $3.6 million, of which $2.3 million is related to discontinued operations and classified as held for sale.

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, 2020 and 2019 related to uncertain tax positions that would impact the effective income tax rate if recognized. The company has reduced the net operating loss carryforward by $69.6 million for uncertain tax positions based on our interpretation of tax laws and regulations that are subject to varied interpretation by the IRS.

Below is a tabular reconciliation of the total amount of unrecognized tax benefits (in millions):

	December 31,	
	2020	2019
Uncertain tax benefits - January 1	$ —	$ —
Gross increases - Tax positions in prior period	—	—
Gross decreases - Tax positions in prior period	—	—
Gross increases - Tax positions in current period	22.9	—
Settlement	—	—
Lapse in statute of limitations	—	—
Uncertain tax benefits - December 31	$ 22.9	$ —

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 2002-2020 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.

18. Commitments and Contingencies

Future minimum purchase obligations as of December 31, 2020 were as follows (in millions):

2021	$ 78.1
2022	0.2
2023	0.2
2024	0.2
2025	—
Thereafter	—
Total obligations	$ 78.7

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

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

VAT assessment

On February 20, 2017, and on August 15, 2017, the Company's subsidiary, PTGi International Carrier Services Ltd., 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. The Company 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.

Fair Value Investments Litigation

On October 1, 2020, Fair Value Investments Incorporated (“FVI”) filed a putative stockholder class action and derivative complaint in the Delaware Court of Chancery against HC2 and certain of DBMG’s current and former officers and directors, including current and former HC2 officers and directors AJ Stahl, Kenneth S. Courtis, Robert V. Leffler, Jr., Philip A. Falcone, Michael J. Sena, and Paul Voigt (together with HC2, the “HC2 Defendants”) styled Fair Value Investments Incorporated v. Roach, et al., C.A. No. 2020-0847-JTL (Del. Ch.) (the “FVI Action”). In the FVI Action, FVI alleges that HC2, in its capacity as DBMG’s controlling stockholder, and DBMG’s current and former officers and directors breached their fiduciary duties to DBMG and DBMG’s minority stockholders by approving certain transactions that allegedly provide disproportionate benefits to HC2. FVI challenges the following transactions: (i) DBMG’s payments to HC2 from 2016–present pursuant to a Tax Sharing Agreement between DBMG and HC2; (ii) DBMG acting as a guarantor or providing collateral for loans taken on by HC2; (iii) DBMG’s issuance of dividends to its common and preferred stockholders in 2017–2020; (iv) DBMG’s issuance of preferred stock to HC2 to finance DBMG’s 2018 acquisition of GrayWolf Industrial; and (v) HC2’s appointment of directors to DBMG’s board of directors by written consent in lieu of holding an annual stockholder meeting. On February 23, 2021, FVI filed an Amended Verified Stockholder Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, FVI named two additional defendants: HC2’s Chief Executive Officer, Wayne Barr, and DBMG’s General Counsel, Scott D. Sherman. The Amended Complaint includes additional fact allegations in support of the largely similar claims raised in the original complaint. Defendants expect to file a motion to dismiss the Amended Complaint in early April. HC2 believes the allegations in the FVI Amended Complaint are without merit and the HC2-related defendants have filed a motion to dismiss the complaint, which continues to be pending. HC2 intends to vigorously defend this litigation.

OSHA Complaint

On November 4, 2020, the Company received notice that a complaint was filed on August 27, 2020, with the U.S. Department of Labor (OSHA Complaint Number 2-4173-20-156), by a former employee of Continental Insurance Group Ltd. alleging retaliatory employment practices in violation of the whistleblower provisions of the Sarbanes-Oxley Act. The Company submitted a position statement to the DOL denying the material allegations in the complaint. The DOL has not issued a determination.

Separation from Philip A. Falcone

The Company has engaged in ongoing negotiations with Philip A. Falcone, the former Chairman, President and Chief Executive Officer of the Company, regarding his separation. Mr. Falcone rejected the Company’s most recent severance offer, and on December 18, 2020, Mr. Falcone filed a demand for arbitration against the Company with the American Arbitration Association. The Company contends that the claims in Mr. Falcone’s demand are without merit and that the Company has both factual and legal defenses. In addition, Mr. Falcone made two books and records demands of the Company, which the Company has denied, including in light of the fact that Mr. Falcone is no longer a director of the Company.

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.

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 143,096 and zero options during the year ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the weighted average fair value at date of grant for options granted was $1.47 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:

	Year Ended December 31, 2020
Expected option life (in years)	4.3 years
Risk-free interest rate	0.24%
Expected volatility	62.23%
Dividend yield	—%

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was $3.0 million and $6.2 million for the years ended December 31, 2020 and 2019, respectively.

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

Restricted Stock

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

	Shares	Weighted Average Grant Date Fair Value
Unvested - December 31, 2018	3,031,469	$ 5.93
Granted	542,450	$ 2.57
Vested	(1,349,531)	$ 5.92
Forfeited	(10,613)	$ 2.91
Unvested - December 31, 2019	2,213,775	$ 5.12
Granted	1,152,202	$ 2.74
Vested	(2,258,905)	$ 4.08
Forfeited	(478,639)	$ 5.87
Unvested - December 31, 2020	628,433	$ 3.93

At December 31, 2020, the total unrecognized stock-based compensation expense related to unvested restricted stock was $1.1 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 0.9 years.

Stock Options

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

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2018	7,160,861	$ 6.51
Granted	—	$ —
Exercised	—	$ —
Forfeited	—	$ —
Expired	(93,269)	$ 5.47
Outstanding - December 31, 2019	7,067,592	$ 6.52
Granted	143,096	$ 2.62
Exercised	—	$ —
Forfeited	(142,503)	$ 5.45
Expired	(2,328,327)	$ 9.18
Outstanding - December 31, 2020	4,739,858	$ 5.13
Eligible for exercise	4,697,653	$ 5.13

At December 31, 2020, the intrinsic value and average remaining life of the Company's outstanding options were $0.1 million and approximately 3.6 years, and intrinsic value and average remaining life of the Company's exercisable options were $0.1 million and approximately 3.6 years.

At December 31, 2020, the total unrecognized stock-based compensation expense related to unvested stock options was $0.1 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted average period of 0.38 years. There are 42,205 unvested stock options expected to vest, with a weighted average remaining life of 3.8 years, a weighted average exercise price of $5.27, and an intrinsic value of zero.

20. Equity

Rights Offering

On September 9, 2020, HC2 announced its intention to commence a rights offering (the “Rights Offering”), pursuant to which each holder of its outstanding common stock and participating preferred stock would receive transferable subscription rights entitling such stockholder to purchase shares of HC2’s common stock at a subscription price equal to $2.27 per share based on last sale price for our common stock on the trading day prior to September 9, 2020.

On the same date, HC2 entered into an investment agreement (the "Investment Agreement") with Lancer Capital LLC ("Lancer Capital"), an investment fund led by Avram Glazer, the Chairman of our Board of Directors, pursuant to which Lancer Capital agreed to purchase up to $35.0 million of Series B Preferred Stock (as defined below) in connection with the Rights Offering based on subscription participation of common shareholders (the "Backstop Commitment"). The Investment Agreement provides for an advance of up to $10.0 million of the Backstop Commitment at the option of the Company.

On September 17, 2020, Lancer Capital funded $5.56 million, receiving 5,560 shares of Series B Preferred stock.

The Investment Agreement provides that, to the extent that Lancer Capital is precluded by applicable rules and regulations (including those of the NYSE, the Texas Department of Insurance and any other applicable regulators) from purchasing common stock by exercising rights received in the Rights Offering, Lancer Capital will purchase additional shares of Series B Preferred Stock (in excess of any Initial Funding amount) equivalent to its allocable participation right. The Investment Agreement also restricts Lancer Capital from purchasing or otherwise acquiring any other rights we issue in the Rights Offering.

Lancer Capital did not receive any compensation or other consideration for entering into or consummating the Investment Agreement. The Backstop Commitment is defined as a financial instrument and measurable at fair value on each reporting period. HC2 used both market observable inputs and unobservable data to derive the fair value as of the reporting date. The Backstop Commitment was classified as Level 3. Fair value for the Backstop Commitment as of September 30, 2020, was zero. The Backstop Commitment ceased upon the consummation of the Rights Offering.

On November 20, 2020, HC2's stockholders voted to approve (i) an amendment to the Company’s certificate of incorporation to increase the number of authorized shares of common stock of the Company to 160,000,000 shares and (ii) the conversion of up to 35,000 shares of Series B preferred stock of the Company in connection with the Company’s Rights Offering.

On November 20, 2020, we completed the Rights Offering and issued a total of 28,716,820 shares of our common stock, 16,825,280 common shares were issued immediately, and 11,891,540 were issued from the conversion of 26,994 shares of Series B Preferred stock as noted below.

Net proceeds of the November 20, 2020 issuance was $59.6 million. Inclusive of the initial Series B issuance on September 17, 2020, total net proceeds of the Rights Offering, after deducting the dealer manager fees and other offering expenses, were approximately $61.5 million.

Preferred Shares

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

	December 31,	
	2020	2019
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	4,000
Series B shares issued and outstanding	—	—

Series A Shares

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 $3.52. Pursuant to the Series A-2 Certificate, each share of Series A-2 Preferred Stock is currently convertible at a conversion price of $5.32. 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, 2020 Preferred A shares and Preferred A-2 shares were convertible into 1,835,695 and 751,880 shares, respectively of HC2 common stock, excluding CGI shares eliminated in consolidation, as discussed below.

Preferred Share Activity

Series B Preferred Stock

On September 9, 2020, HC2 issued a Certificate of Designation for 35,000 Series B Non-Voting participating Convertible Preferred Shares (the "Series B Preferred Stock") of HC2. The certificate of designation authorized the existing 20,000,000 shares of preferred stock, par value $0.001 to apply to this series.

The Series B Preferred Stock is intended to be the economic equivalent of common stock, participating on an as-converted basis in all dividends, distributions, merger consideration and all other consideration receivable by holders of common stock, and a means through which the Backstop Arrangement can be effected prior to the completion of the stockholder vote and the satisfaction of any other regulatory requirements. The issued Series B Preferred Stock was classified as temporary equity as it was not mandatorily redeemable due to the presence of substantive conversion features, and would have become mandatorily redeemable on the sixth anniversary of initial issuance if not previously converted.

The Series B Preferred Stock issued was recognized at fair value upon issuance. As the Series B was contingently redeemable, subsequent accretion to redemption value will occur once the contingency is resolved and the redemption becomes probable (i.e., Rights Offering and Stockholder Approval is no longer reasonably possible).

On September 17, 2020 Lancer Capital funded $5.56 million of the Backstop Commitment, and the Company issued Lancer Capital 5,560 shares of Series B Preferred Stock (the "Initial Funding").

On November 20, 2020, as part of the rights offering, Lancer Capital funded $21.4 million, and the Company issued Lancer Capital an additional 21,434 shares of Series B Preferred Stock. Immediately upon issuance of the shares, the Company converted all of Lancer Capital's Series B Preferred Stock into 11,891,540 shares of the Company's Common Stock.

The Series B Preferred Stock became convertible upon the approval of shareholders during the Special Meeting of Stockholders on November 20, 2020. As a result, the Company recorded a beneficial conversion feature of $2.0 million related to the issuances of the Preferred B Preferred Stock, which was immediately accreted and recorded within the Preferred dividends, deemed dividends, and repurchase gains line item of the Consolidated Statements of Operations as a deemed dividend.

Series A Shares

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, which, as of December 31, 2020, is convertible into a total of 1,763,706 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, as of December 31, 2020, is convertible into a total of 1,879,699 shares of the Company's common stock. 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, 2020, 278,914 and 31,379 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, 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.

The fair value of the Additional Share Consideration for the year ended December 31, 2020 and 2019 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, 2020 and 2019, 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):

2020				
Declaration Date	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Holders of Record Date	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Payment Date	April 15, 2020	July 15, 2020	October 15, 2020	January 15, 2021
Total Dividend	$ 0.2	$ 0.2	$ 0.2	$ 0.2
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

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. The warrants expired on December 24, 2020.

21. Related Parties

HC2

Series B Preferred Stock

As detailed in Note 20. Equity, HC2 entered into the Investment Agreement with Lancer Capital, an investment fund led by Avram Glazer, the Chairman of our Board of Directors, pursuant to which Lancer Capital agreed to the Backstop Commitment to purchase up to $35.0 million of Series B Preferred Stock in connection with the Rights Offering, based on subscription participation of common shareholders, of which $10.0 million may be funded in advance.

On September 17, 2020, Lancer Capital funded $5.56 million, receiving 5,560 shares of Series B Preferred stock. On November 20, 2020, as part of the rights offering, Lancer Capital funded an $21.4 million, and the Company issued Lancer Capital an additional 21,434 shares of Series B Preferred Stock. Immediately upon issuance of the shares, the Company Converted all of Lancer Capital's series B shares to 11,891,540 shares of the Company's Common Stock. Please see Note 20. Equity for further detail.

HCP Services Agreement

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 $1.6 million and $2.7 million, and income of $0.1 million and $0.3 million under the Services Agreement for the years ended December 31, 2020 and 2019, respectively. The following table breaks out the components of the Services Agreement net expenses, by Segment for the years ended December 31, 2020 and 2019:

	Years Ended December 31,					
	2020			2019		
	Corporate	Other [1]	Total	Corporate	Other [1]	Total
Allocated to HC2 by HCP						
Office space	$ 1.1	$ 0.5	$ 1.6	$ 1.8	$ 0.8	$ 2.6
Administrative salaries and benefits	—	—	—	0.1	—	0.1
Other shared overhead	—	—	—	—	—	—
Total Expenses	1.1	0.5	1.6	1.9	0.8	2.7
Charged back to HCP by HC2						
Administrative salaries and benefits	0.1	—	0.1	0.2	—	0.2
Other shared overhead	—	—	—	0.1	—	0.1
Total Income	0.1	—	0.1	0.3	—	0.3
Net related party activity	$ 1.0	$ 0.5	$ 1.5	$ 1.6	$ 0.8	$ 2.4

[1] Other in the above table represent certain entities within our Spectrum, Life Sciences and Insurance segments.

With the announcement of the departure of Phillip Falcone, the former CEO and Chairman of the Company, on June 11, 2020, HCP is no longer considered a related party. On August 2, 2020, the Company issued a notice of termination, effectively ending the Services Agreement with HCP, a former related party.

Rights Offering

Due to an administrative error by our transfer agent, the Company sold an additional 82,459 shares of HC2 common stock to MG Capital Management Ltd. at the Rights Offering price in December 2020 to make MG Capital Management Ltd. whole of the error.

Other

GMH's subsidiary, GMSL, prior to its sale in February 2020, had transactions with several of its equity method investees. A summary of transactions with such equity method investees and balances outstanding are as follows (in millions). Such activity is reclassified to discontinued operations as a result of the sale of GMSL. See note 3. Discontinued Operations for further information:

	Years Ended December 31,	
	2020	2019
Net revenue	$ —	$ 6.4
Operating expenses	$ —	$ 1.0
Interest expense	$ —	$ 1.0

	December 31, 2020	December 31, 2019
Accounts receivable	$ —	$ 1.2
Long-term obligations	$ —	$ 22.5
Accounts payable	$ —	$ 0.1
Dividends	$ —	$ 4.5

Life Sciences

Pansend has an investment in Triple Ring Technologies, Inc. ("Triple Ring"). Various subsidiaries of HC2 utilize the services of Triple Ring, incurring $1.0 million and $1.9 million in services for the year ended December 31, 2020 and 2019, respectively.

22. Operating Segment and Related Information

The Company currently has one primary reportable geographic segment - United States. The Company has four reportable operating segments, plus our Other segment, based on management's organization of the enterprise - Infrastructure, Life Sciences, Spectrum, Insurance, and Other. We also have included a Non-operating Corporate segment. All inter-segment revenues are eliminated.

As a result of the sale of GMSL, ICS, and Beyond6, and in accordance with ASC 280, the Company no longer considers the results of operations and balance sheets of these entities and related subsidiaries as separate segments. Formerly part of the Marine Services, Telecommunications, and Clean Energy segments, these entities and the investment in HMN have been reclassified to the Other segment. In addition, as GMSL, ICS, and Beyond6 are discontinued operations, all operating results of GMSL, ICS, and Beyond6 have been reclassified to discontinued operations. This has been reflected in the tables below for both the current and historical periods presented.

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

	Years Ended December 31, 2020	Years Ended December 31, 2019
Net revenue		
Infrastructure	$ 676.6	$ 713.3
Spectrum	40.3	41.8
Insurance	300.2	331.6
Other	—	0.5
Eliminations (*)	(11.3)	(10.2)
Total net revenue	$ 1,005.8	$ 1,077.0

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2020 and 2019 which are related to entities under common control which are eliminated or are reclassified in consolidation.

	Years Ended December 31, 2020	Years Ended December 31, 2019
(Loss) income from operations		
Infrastructure	$ 20.5	$ 45.1
Life Sciences	(16.9)	(8.9)
Spectrum	(2.2)	(11.4)
Insurance	35.6	37.3
Other	(2.8)	(1.6)
Non-operating Corporate	(27.0)	(25.0)
Eliminations (*)	(11.3)	(10.2)
Total (loss) income from operations	$ (4.1)	$ 25.3

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the year ended December 31, 2020 and 2019 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,	
	2020	2019
(Loss) income from operations	$ (4.1)	$ 25.3
Interest expense	(79.4)	(76.1)
Loss on early extinguishment or restructuring of debt	(9.4)	—
(Loss) income from equity investees	(3.4)	1.6
Gain on bargain purchase	—	1.1
Other income	68.5	6.3
Loss from continuing operations before income taxes	(27.8)	(41.8)
Income tax benefit (expense)	(10.5)	19.6
Loss from continuing operations	(38.3)	(22.2)
Loss from discontinued operations (including loss on disposal of $44.2 million)	(63.8)	(13.9)
Net loss	(102.1)	(36.1)
Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	10.1	4.6
Net loss attributable to HC2 Holdings, Inc.	(92.0)	(31.5)
Less: Preferred dividends, deemed dividends, and repurchase gains	3.6	—
Net loss attributable to common stock and participating preferred stockholders	$ (95.6)	$ (31.5)

	Years Ended December 31,	
	2020	2019
Depreciation and Amortization		
Infrastructure	$ 10.7	$ 15.5
Life Sciences	0.1	0.3
Spectrum	6.8	6.3
Insurance (*)	(20.9)	(23.1)
Non-operating Corporate	0.1	0.1
Total	$ (3.2)	$ (0.9)

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

	Years Ended December 31,	
	2020	2019
Capital Expenditures (*)		
Infrastructure	$ 5.7	$ 9.8
Life Sciences	0.1	0.1
Spectrum	11.8	14.2
Insurance	0.2	0.6
Total	$ 17.8	$ 24.7

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

	December 31,	
	2020	2019
Investments		
Infrastructure	$ 0.9	$ 0.9
Life Sciences	18.4	22.0
Insurance	4,711.3	4,423.0
Other	36.1	43.1
Eliminations	(101.1)	(96.9)
Total	$ 4,665.6	$ 4,392.1

	December 31,	
	2020	2019
Total Assets		
Infrastructure	$ 494.8	$ 530.4
Life Sciences	21.4	28.4
Spectrum	213.6	257.9
Insurance	5,913.8	5,611.9
Other	167.3	598.4
Non-operating Corporate	30.1	27.2
Eliminations	(98.2)	(95.9)
Total	$ 6,742.8	$ 6,958.3

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 years ended December 31, 2020 and 2019, due to the results of operations being a loss from continuing operations, net of tax. 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,	
	2020	2019
Loss from continuing operations	$ (38.3)	$ (22.2)
Income (loss) attributable to noncontrolling interest and redeemable noncontrolling interest	(5.6)	4.4
Loss from continuing operations attributable to the Company	(43.9)	(17.8)
Less: Preferred dividends, deemed dividends and repurchase gains	3.6	—
Loss from continuing operations attributable to HC2 common stockholders	(47.5)	(17.8)
Loss from discontinued operations	(63.8)	(13.9)
Loss attributable to noncontrolling interest and redeemable noncontrolling interest	15.7	0.2
Loss from discontinued operations, net of tax and noncontrolling interest	(48.1)	(13.7)
Net loss attributable to common stock and participating preferred stockholders	$ (95.6)	$ (31.5)
Earnings allocable to common shares:		
Participating shares at end of period:		
Weighted-average common stock outstanding	50.3	44.8
Unvested restricted stock	—	—
Preferred stock (as-converted basis)	0.4	—
Total	50.7	44.8
Percentage of loss allocated to:		
Common stock	99.2 %	100.0 %
Unvested restricted stock	— %	— %
Preferred stock	0.8 %	— %
Numerator for earnings per share, basic:		
Net loss from continuing operations attributable to common stock, basic	$ (47.1)	$ (17.8)
Net loss from discontinued operations attributable to common stock, basic	$ (47.7)	$ (13.7)
Net loss attributable to common stock, basic	$ (94.8)	$ (31.5)
Earnings allocable to common shares, diluted:		
Numerator for earnings per share, diluted		
Effect of assumed shares under the if-converted method for convertible instruments	$ (0.4)	$ —
Net loss from continuing operations attributable to common stock, basic	$ (47.5)	$ (17.8)
Net loss from discontinued operations attributable to common stock, basic	$ (47.7)	$ (13.7)
Net loss attributable to common stock, basic	$ (95.2)	$ (31.5)
Denominator for basic and dilutive earnings per share		
Weighted average common shares outstanding - basic	50.3	44.8
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	0.4	—
Weighted average common shares outstanding - diluted	50.7	44.8
Loss per share - continuing operations		
Basic	$ (0.94)	$ (0.40)
Diluted	$ (0.94)	$ (0.40)
Loss per share - discontinued operations		
Basic	$ (0.94)	$ (0.30)
Diluted	$ (0.94)	$ (0.30)
Loss per share - Net loss attributable to common stock and participating preferred stockholders		
Basic	$ (1.88)	$ (0.70)
Diluted	$ (1.88)	$ (0.70)

24. Subsequent Events

On February 1, 2021, HC2 closed on $330.0 million of 8.500% senior secured notes due 2026 at an issue price of 100%. The Notes will be senior secured obligations of the Company and will be guaranteed by certain of the Company's domestic subsidiaries. The proceeds from the issuance of the Notes were used, together with the net cash proceeds of the Company’s previously announced sale of its majority-owned subsidiary Beyond6, Inc., to redeem in full HC2’s existing 11.50% senior secured notes, repay the outstanding indebtedness under its revolving credit agreement, pay related fees and expenses, and for general corporate purposes.

On February 3, 2021 the Company announced that R2 has received $10.0 million in funding from Huadong Medicine Company Limited (“Huadong”), a leading publicly traded Chinese pharmaceutical company. Huadong’s investment will be used to fund the launch of R2 Technologies’ first-to-market innovations Glacial Rx and Glacial Spa. In exchange for its equity investment in R2, Huadong receives exclusive distribution rights for R2’s products in the China and selected Asia-Pacific markets.

On February 23, 2021, the Company entered into a third amendment of the 2020 Revolving Credit Agreement with MSD PCOF Partners IX, LLC. Among other things, the Amendment (i) increases the aggregate principal amount of the Revolving Credit Facility to $20.0 million, (ii) extends the maturity date of the Revolving Credit Facility to February 23, 2024, (iii) updates the affirmative and negative covenants contained in the Amended Credit Agreement so that they are substantially consistent with the affirmative and negative covenants contained in the indenture that governs the Senior Secured Notes and (iv) reduces the interest rate margin applicable to loans borrowed under the Amended Credit Agreement to the interest rate margins described below. Except as modified by the Amendment, the terms of the Credit Agreement remain in effect.

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
GrayWolf Integrated Construction Company-Southeast, Inc. (f/k/a Inco Services, Inc.)	Georgia
M. Industrial Mechanical, Inc.	Delaware
Midwest Environmental, Inc.	Kentucky
Milco National Constructors, Inc.	Delaware
GrayWolf Integrated Construction Company[(1)]	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.	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[(2)]	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	United Kingdom
DBM Vircon Services (India) Pvt Ltd	India
DBM Vircon Services (Canada) LTD (f/k/a DBM Vircon Services LTD)[(3)]	British Columbia, Canada
DBMG International PTE LTD	Singapore
DBMG Singapore PTE LTD	Singapore

<table>
<tr><th>Subsidiary</th><th>Jurisdiction of Organization</th></tr>
<tr><td>   DBM Vircon Services (Thailand) Co. LTD</td><td>Thailand</td></tr>
<tr><td>   DBM Vircon (Australia) Pty Ltd</td><td>Australia</td></tr>
<tr><td>   DBM Vircon Services (Australia) Pty Ltd</td><td>Australia</td></tr>
<tr><td>   BDS Steel Detailers (Australia) Pty Ltd</td><td>Australia</td></tr>
<tr><td>   DBM Vircon Services (NZ) Ltd</td><td>New Zealand</td></tr>
<tr><td>   PDC Operations (Australia) Pty Ltd</td><td>Australia</td></tr>
<tr><td>   DBM Vircon Services (Philippines) Inc.</td><td>Philippines</td></tr>
<tr><td>   Schuff Premier Services LLC</td><td>Delaware</td></tr>
</table>

SUBSIDIARIES OF HC2 HOLDINGS 2, INC.

<table>
<tr><th>Subsidiary</th><th>Jurisdiction of Organization</th></tr>
<tr><td>Continental Insurance Group Ltd.</td><td>Delaware</td></tr>
<tr><td>   Continental LTC Inc.</td><td>Delaware</td></tr>
<tr><td>   Continental General Insurance Company</td><td>Texas</td></tr>
<tr><td>Global Marine Holdings, LLC (72.75%)</td><td>Delaware</td></tr>
<tr><td>   New Saxon 2019 Ltd</td><td>United Kingdom</td></tr>
<tr><td>HC2 Broadcasting Holdings Inc.(4) (98%)</td><td>Delaware</td></tr>
<tr><td>   HC2 Broadcasting Intermediate Holdings Inc.</td><td>Delaware</td></tr>
<tr><td>   HC2 Broadcasting Inc.</td><td>Delaware</td></tr>
<tr><td>   DTV America Corporation(5)</td><td>Delaware</td></tr>
<tr><td>   HC2 Broadcasting License Inc.</td><td>Delaware</td></tr>
<tr><td>   HC2 LPTV Holdings, Inc.</td><td>Delaware</td></tr>
<tr><td>   HC2 Network Inc.(6)</td><td>Delaware</td></tr>
<tr><td>   HC2 Station Group, Inc.</td><td>Delaware</td></tr>
<tr><td>NerVve Technologies, Inc. (72.35%)</td><td>Delaware</td></tr>
<tr><td>Pansend Life Sciences, LLC</td><td>Delaware</td></tr>
<tr><td>   Genovel Orthopedics, Inc. (80%)</td><td>Delaware</td></tr>
<tr><td>   R2 Technologies, Inc. (f/k/a R2 Dermatology Incorporated) (56.14%)</td><td>Delaware</td></tr>
</table>

SUBSIDIARIES OF HC2 INTERNATIONAL HOLDING, INC.

<table>
<tr><th>Subsidiary</th><th>Jurisdiction of Organization</th></tr>
<tr><td>HC2 International, Inc.</td><td>Delaware</td></tr>
<tr><td>   Primus Telecommunications El Salvador SA de C.V.</td><td>El Salvador</td></tr>
<tr><td>ICS Group Holdings Inc.</td><td>Delaware</td></tr>
<tr><td>   Arbinet-thexchange Ltd</td><td>United Kingdom</td></tr>
<tr><td>   PTGi-ICS Holdings Limited</td><td>United Kingdom</td></tr>
<tr><td>   PTGi International Carrier Services Ltd</td><td>United Kingdom</td></tr>
<tr><td>The St. Thomas & San Juan Telephone Company, Inc.</td><td>U.S. Virgin Islands</td></tr>
</table>

(1) Also does business as GrayWolf Integrated Construction Company, Inc. (AL and NY)
(2) Also does business under the name Schuff Steel Company Inc. (AL and NY)
(3) Also does business under the name Candraft VSI
(4) Also does business under the name QUU (DE and NY)
(5) HC2 holds a total of 49.20%, as follows: 42.35% (representing 98% of 43.22% direct interests) through HC2 Broadcasting Inc. and 6.84% through Continental General Insurance Company. In addition, HC2 holds an additional 10.07% voting interest through proxies from minority shareholders, for a total controlling interest of 59.27%.
(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 (FL), HC2 Network Inc. - WPMF (FL)

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 S-3 (No. 333-248695, 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 10, 2021, relating to the consolidated financial statements, and the effectiveness of HC2 Holdings, Inc.'s internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, LLP

New York, NY
March 10, 2021

Exhibit 31.1

CERTIFICATIONS

I, Wayne Barr, Jr, 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 10, 2021	By:	/s/ Wayne Barr, Jr.	
		Name:	Wayne Barr, Jr.
		Title:	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 10, 2021	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), Wayne Barr, Jr, the 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, 2020, 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 10, 2021

/s/ Wayne Barr, Jr.	/s/ Michael J. Sena
Wayne Barr, Jr.	**Michael J. Sena**
President and Chief Executive Officer (Principal Executive Officer)	**Chief Financial Officer (Principal Financial and Accounting Officer)**