

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 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
(State or other jurisdiction of
incorporation or organization)
450 Park Avenue, 29th Floor, New York, NY
(Address of principal executive offices)

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

(212) 235-2690

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

As of July 31, 2020, 46,803,140 shares of common stock, par value \$0.001, were outstanding.

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

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 299.4	\$ 400.5	\$ 682.8	\$ 763.0
Life, accident and health earned premiums, net	29.6	29.9	58.2	59.8
Net investment income	48.5	50.3	100.4	101.4
Net realized and unrealized gains (losses) on investments	(0.5)	(1.5)	(19.6)	4.0
Net revenue	377.0	479.2	821.8	928.2
Operating expenses				
Cost of revenue	262.1	350.6	608.2	675.1
Policy benefits, changes in reserves, and commissions	63.0	48.0	135.4	100.7
Selling, general and administrative	48.1	46.2	100.4	93.1
Depreciation and amortization	1.1	1.2	1.7	1.5
Other operating income	(2.2)	(0.4)	(2.0)	(1.4)
Total operating expenses	372.1	445.6	843.7	869.0
Income (loss) from operations	4.9	33.6	(21.9)	59.2
Interest expense	(21.4)	(19.1)	(42.7)	(37.9)
Loss on early extinguishment or restructuring of debt	(3.4)	—	(9.2)	—
(Loss) income from equity investees	(0.2)	7.2	(2.7)	1.3
Gain on bargain purchase	—	1.1	—	1.1
Other income (loss)	64.0	(4.8)	66.8	(1.4)
Income (loss) from continuing operations before income taxes	43.9	18.0	(9.7)	22.3
Income tax expense	(15.4)	(1.1)	(2.8)	(5.1)
Income (loss) from continuing operations	28.5	16.9	(12.5)	17.2
Loss from discontinued operations (including loss on disposal of \$39.3 million)	—	(7.7)	(60.0)	(14.3)
Net income (loss)	28.5	9.2	(72.5)	2.9
Net (income) loss attributable to noncontrolling interest and redeemable noncontrolling interest	(15.4)	0.2	2.5	3.7
Net income (loss) attributable to HC2 Holdings, Inc.	13.1	9.4	(70.0)	6.6
Less: Preferred dividends, deemed dividends and repurchase gains	0.4	0.4	0.8	(0.8)
Net income (loss) attributable to common stock and participating preferred stockholders	\$ 12.7	\$ 9.0	\$ (70.8)	\$ 7.4
Income (loss) per share - continuing operations				
Basic:	\$ 0.26	\$ 0.34	\$ (0.56)	\$ 0.42
Diluted:	\$ 0.26	\$ 0.24	\$ (0.56)	\$ 0.28
Loss per share - discontinued operations				
Basic:	\$ —	\$ (0.15)	\$ (0.97)	\$ (0.27)
Diluted:	\$ —	\$ (0.12)	\$ (0.97)	\$ (0.20)
Income (loss) per share - Net income (loss) attributable to participating securities				
Basic:	\$ 0.26	\$ 0.19	\$ (1.53)	\$ 0.15
Diluted:	\$ 0.26	\$ 0.12	\$ (1.53)	\$ 0.08
Weighted average common shares outstanding:				
Basic:	46.8	45.6	46.3	45.2
Diluted:	46.9	58.1	46.3	59.9

See notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 28.5	\$ 9.2	\$ (72.5)	\$ 2.9
Other comprehensive income (loss)				
Foreign currency translation adjustment	3.8	(0.7)	4.0	0.2
Unrealized gains (losses) on available-for-sale securities	283.8	81.4	7.8	229.6
Dispositions	(0.7)	—	22.1	—
Other comprehensive income (loss)	286.9	80.7	33.9	229.8
Comprehensive income (loss)	315.4	89.9	(38.6)	232.7
Comprehensive income (loss) attributable to noncontrolling interests and redeemable noncontrolling interests	16.2	0.4	7.3	3.6
Comprehensive income (loss) attributable to HC2 Holdings, Inc.	\$ 331.6	\$ 90.3	\$ (31.3)	\$ 236.3

See notes to Condensed Consolidated Financial Statements

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

	June 30,	December 31,
	2020	2019
Assets		
Investments:		
Fixed maturity securities, available-for-sale at fair value	\$ 4,116.3	\$ 4,028.9
Equity securities	73.8	92.5
Mortgage loans	128.8	183.5
Policy loans	18.5	19.1
Other invested assets	60.8	68.1
Total investments	4,398.2	4,392.1
Cash and cash equivalents	203.8	228.8
Accounts receivable, net	261.2	311.8
Recoverable from reinsurers	958.4	953.7
Deferred tax asset	2.2	2.7
Property, plant and equipment, net	220.2	223.7
Goodwill	112.6	112.5
Intangibles, net	218.2	221.7
Assets held for sale	—	323.3
Other assets	258.5	188.0
Total assets	\$ 6,633.3	\$ 6,958.3
Liabilities, temporary equity and stockholders' equity		
Life, accident and health reserves	\$ 4,608.8	\$ 4,567.1
Annuity reserves	233.1	236.4
Value of business acquired	209.6	221.1
Accounts payable and other current liabilities	283.0	306.2
Deferred tax liability	101.6	83.7
Debt obligations	633.8	773.6
Liabilities held for sale	—	153.9
Other liabilities	179.5	151.1
Total liabilities	6,249.4	6,493.1
Commitments and contingencies		
Temporary equity		
Preferred stock	10.3	10.3
Redeemable noncontrolling interest	8.4	11.3
Total temporary equity	18.7	21.6
Stockholders' equity		
Common stock, \$0.001 par value	—	—
Shares authorized: 80,000,000 at June 30, 2020 and December 31, 2019;		
Shares issued: 47,660,135 and 46,810,676 at June 30, 2020 and December 31, 2019;		
Shares outstanding: 46,550,384 and 46,067,852 at June 30, 2020 and December 31, 2019, respectively		
Additional paid-in capital	288.5	281.1
Treasury stock, at cost: 1,109,751 and 742,824 shares at June 30, 2020 and December 31, 2019, respectively	(4.2)	(3.3)
Accumulated deficit	(166.7)	(96.7)
Accumulated other comprehensive income (loss)	201.7	168.7
Total HC2 Holdings, Inc. stockholders' equity	319.3	349.8
Noncontrolling interest	45.9	93.8
Total stockholders' equity	365.2	443.6
Total liabilities, temporary equity and stockholders' equity	\$ 6,633.3	\$ 6,958.3

See notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30, 2020									
	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 March 31, 2020	46.5	\$ —	\$ 282.7	\$ (4.2)	\$ (179.8)	\$ (84.6)	\$ 14.1	\$ 46.4	\$ 60.5	\$ 18.6
Share-based compensation	—	—	0.3	—	—	—	0.3	—	0.3	—
Fair value adjustment of redeemable noncontrolling interest	—	—	2.9	—	—	—	2.9	—	2.9	(2.9)
Preferred stock dividend	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	—
Issuance of common stock	0.1	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	2.8	—	—	—	2.8	(15.2)	(12.4)	1.5
Net income	—	—	—	—	13.1	—	13.1	14.0	27.1	1.4
Other comprehensive income	—	—	—	—	—	286.3	286.3	0.7	287.0	0.1
Balance as of June 30, 2020	<u>46.6</u>	<u>\$ —</u>	<u>\$ 288.5</u>	<u>\$ (4.2)</u>	<u>\$ (166.7)</u>	<u>\$ 201.7</u>	<u>\$ 319.3</u>	<u>\$ 45.9</u>	<u>\$ 365.2</u>	<u>\$ 18.7</u>

	Six Months Ended June 30, 2020									
	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, 2019	46.1	\$ —	\$ 281.1	\$ (3.3)	\$ (96.7)	\$ 168.7	\$ 349.8	\$ 93.8	\$ 443.6	\$ 21.6
Share-based compensation	—	—	2.9	—	—	—	2.9	—	2.9	—
Fair value adjustment of redeemable noncontrolling interest	—	—	(1.2)	—	—	—	(1.2)	—	(1.2)	1.2
Taxes paid in lieu of shares issued for share-based compensation	(0.4)	—	—	(0.9)	—	—	(0.9)	—	(0.9)	—
Preferred stock dividend	—	—	(0.4)	—	—	—	(0.4)	—	(0.4)	—
Issuance of common stock	0.9	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	6.1	—	—	—	6.1	(55.3)	(49.2)	(4.0)
Net loss	—	—	—	—	(70.0)	—	(70.0)	(1.0)	(71.0)	(1.5)
Other comprehensive income	—	—	—	—	—	33.0	33.0	8.4	41.4	1.4
Balance as of June 30, 2020	<u>46.6</u>	<u>\$ —</u>	<u>\$ 288.5</u>	<u>\$ (4.2)</u>	<u>\$ (166.7)</u>	<u>\$ 201.7</u>	<u>\$ 319.3</u>	<u>\$ 45.9</u>	<u>\$ 365.2</u>	<u>\$ 18.7</u>

See notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30, 2019									
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of March 31, 2019	45.6	\$ —	\$ 264.4	\$ (3.2)	\$ (64.3)	\$ 36.2	\$ 233.1	\$ 99.1	\$ 332.2	\$ 17.6
Share-based compensation	—	—	2.2	—	—	—	2.2	—	2.2	—
Preferred stock dividend	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)	—
Issuance of common stock	0.2	—	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	5.2	—	—	—	5.2	2.1	7.3	3.1
Other	—	—	(0.7)	—	—	—	(0.7)	—	(0.7)	—
Net income (loss)	—	—	—	—	9.4	—	9.4	(0.1)	9.3	(0.1)
Other comprehensive income (loss)	—	—	—	—	—	80.9	80.9	(0.2)	80.7	—
Balance as of June 30, 2019	45.8	\$ —	\$ 270.9	\$ (3.2)	\$ (54.9)	\$ 117.1	\$ 329.9	\$ 100.9	\$ 430.8	\$ 20.6

	Six Months Ended June 30, 2019									
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total HC2 Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity	Temporary Equity
	Shares	Amount								
Balance as of December 31, 2018	44.9	\$ —	\$ 260.5	\$ (2.6)	\$ (57.2)	\$ (112.6)	\$ 88.1	\$ 105.6	\$ 193.7	\$ 28.3
Cumulative effect of accounting for leases	—	—	—	—	(4.3)	—	(4.3)	(0.7)	(5.0)	(0.1)
Share-based compensation	—	—	4.7	—	—	—	4.7	—	4.7	—
Fair value adjustment of redeemable noncontrolling interest	—	—	0.2	—	—	—	0.2	—	0.2	(0.2)
Taxes paid in lieu of shares issued for share-based compensation	(0.2)	—	—	(0.6)	—	—	(0.6)	—	(0.6)	—
Preferred stock dividend	—	—	(0.5)	—	—	—	(0.5)	—	(0.5)	—
Issuance of common stock	1.1	—	—	—	—	—	—	—	—	—
Purchase of preferred stock by subsidiary	—	—	1.7	—	—	—	1.7	—	1.7	(10.0)
Transactions with noncontrolling interests	—	—	4.7	—	—	—	4.7	(0.9)	3.8	3.1
Other	—	—	(0.4)	—	—	—	(0.4)	—	(0.4)	—
Net income (loss)	—	—	—	—	6.6	—	6.6	(3.2)	3.4	(0.5)
Other comprehensive income	—	—	—	—	—	229.7	229.7	0.1	229.8	—
Balance as of June 30, 2019	45.8	\$ —	\$ 270.9	\$ (3.2)	\$ (54.9)	\$ 117.1	\$ 329.9	\$ 100.9	\$ 430.8	\$ 20.6

See notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities		
Net income (loss)	\$ (72.5)	\$ 2.9
Less: Loss from discontinued operations, net of tax	(60.0)	(14.3)
Income (loss) from continuing operations	(12.5)	17.2
Adjustments to reconcile net income (loss) to cash provided by continuing operating activities		
Depreciation and amortization	6.3	6.0
Amortization of deferred financing costs and debt discount	7.7	5.7
Amortization of (discount) premium on investments	4.1	3.9
Loss on early extinguishment or restructuring of debt	9.2	—
Loss (income) from equity investees	2.7	(1.3)
Deferred income taxes	18.4	(1.7)
Net realized and unrealized gains on investments	(53.8)	(3.5)
Other operating activities	12.0	4.3
Changes in assets and liabilities, net of acquisitions and disposition:		
Accounts receivable	50.1	30.6
Recoverable from reinsurers	(4.8)	0.2
Other assets	(44.5)	2.9
Life, accident and health reserves	41.6	12.9
Accounts payable and other current liabilities	(2.6)	(30.2)
Other liabilities	14.7	(13.4)
Cash provided by continuing operating activities	48.6	33.6
Cash (used in) provided by discontinued operating activities	(0.8)	3.2
Cash provided by operating activities	47.8	36.8
Cash flows from investing activities		
Purchase of property, plant and equipment	(11.7)	(11.0)
Disposal of property, plant and equipment	0.6	1.1
Purchase of investments	(523.5)	(575.3)
Sale of investments	394.9	449.3
Maturities and redemptions of investments	52.1	37.2
Sale of equity method investments	85.5	—
Cash received from dispositions, net	144.0	—
Cash paid for acquisitions, net	—	(53.5)
Other investing activities	4.0	3.2
Cash provided by (used in) continuing investing activities	145.9	(149.0)
Cash used in discontinued investing activities	(7.0)	(5.6)
Cash provided by (used in) investing activities	138.9	(154.6)
Cash flows from financing activities		
Proceeds from debt obligations	—	77.2
Principal payments on debt obligations	(157.4)	(5.1)
Cash received by subsidiary to issue preferred stock	—	8.9
Cash paid by subsidiary to purchase HC2 preferred stock	—	(8.3)
Annuity receipts	0.9	1.1
Annuity surrenders	(7.4)	(9.5)
Transactions with noncontrolling interests	(52.1)	5.5
Other financing activities	(4.2)	(3.3)
Cash (used in) provided by continuing financing activities	(220.2)	66.5
Cash (used in) provided by discontinued financing activities	(2.4)	2.5
Cash (used in) provided by financing activities	(222.6)	69.0
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.6	0.3
Net change in cash, cash equivalents and restricted cash	(25.1)	(48.6)
Cash, cash equivalents and restricted cash, beginning of period	230.4	321.3
Cash, cash equivalents and restricted cash, end of period	\$ 205.3	\$ 272.7

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

1. Organization and Business

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

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

1. Our Construction segment is comprised of DBM Global Inc. ("DBMG") and its wholly-owned subsidiaries. DBMG is a fully integrated Building Information Modelling modeler, detailer, fabricator and erector of structural steel and heavy steel plate. DBMG models, details, fabricates and erects structural steel for commercial and industrial construction projects such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas, shopping malls, hospitals, dams, bridges, mines and power plants. DBMG also fabricates trusses and girders and specializes in the fabrication and erection of large-diameter water pipe and water storage tanks. Through GrayWolf, DBMG provides services including maintenance, repair, and installation to a diverse range of end markets in order to provide high-quality outage, turnaround, and new installation services to customers. Through Aitken Manufacturing, DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. The Company maintains an approximately 92% controlling interest in DBMG.

2. Our Energy segment is comprised of American Natural Energy Corp. (f/k/a American Natural Gas, Inc.) ("ANG"). ANG is a premier distributor of natural gas motor fuel. ANG designs, builds, owns, acquires, operates and maintains compressed natural gas fueling stations for transportation vehicles. The Company maintains an approximately 69% controlling interest in ANG.

3. Our Telecommunications segment is comprised of PTGi International Carrier Services, Inc. ("ICS"). ICS operates a telecommunications business including a network of direct routes and provides premium voice communication services for national telecommunications operators, mobile operators, wholesale carriers, prepaid operators, voice over internet protocol service operators and internet service providers. ICS provides a quality service via direct routes and by forming strong relationships with carefully selected partners. The Company maintains a 100% interest in ICS.

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 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 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.

6. Our Broadcasting segment is comprised of HC2 Broadcasting Holdings Inc. ("HC2 Broadcasting") and its subsidiaries. HC2 Broadcasting strategically acquires and operates over-the-air broadcasting stations across the United States. In addition, HC2 Broadcasting, through its wholly-owned subsidiary, HC2 Network Inc. ("Network"), operates Azteca America, a Spanish-language broadcast network offering high quality Hispanic content to a diverse demographic across the United States. The Company maintains an approximately 98% controlling interest in HC2 Broadcasting and an approximately 50% controlling interest in DTV America Corporation ("DTV") as well as approximately 10% proxy and voting rights from minority holders.

7. 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").

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company, its wholly owned subsidiaries and all other subsidiaries over which the Company exerts control. All intercompany profits, transactions and balances have been eliminated in consolidation. As of June 30, 2020, the results of DBMG, GMH, ANG, ICS, CIG, Genovel, R2, and HC2 Broadcasting have been consolidated into the Company's results based on guidance from the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" 810, *Consolidation*). The remaining interests not owned by the Company are presented as a noncontrolling interest component of total equity.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Certain information and note disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation.

These interim financial statements should be read in conjunction with the Company's annual Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 16, 2020. The results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2020.

Use of Estimates and Assumptions

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

Liquidity

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

COVID-19

There are many uncertainties regarding the current coronavirus ("COVID-19") pandemic, and the Company is closely monitoring the continued impact of the COVID-19 pandemic on all aspects of its business, including how it will impact its customers, employees, suppliers, vendors, business partners and distribution channels. We are unable to predict the impact that COVID-19 will have on its financial position and operating results due to numerous uncertainties, however if the pandemic continues it may have an adverse effect on the Company's results of operations, financial condition, or liquidity for fiscal year 2020. The Company expects to continue to assess the evolving impact of the COVID-19 pandemic.

Other Income (Loss)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gain (loss) on embedded derivatives	\$ (8.1)	\$ 3.2	\$ (5.7)	\$ 5.6
Gain on sale of equity method investments	71.1	—	71.1	—
Other income (expense), net	1.0	(8.0)	1.4	(7.0)
Total	\$ 64.0	\$ (4.8)	\$ 66.8	\$ (1.4)

Statement of Cash Flows

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

	June 30,	
	2020	2019
Cash and cash equivalents, beginning of period	\$ 228.8	\$ 315.9
Restricted cash included in other assets	1.6	5.4
Total cash and cash equivalents and restricted cash	\$ 230.4	\$ 321.3
Cash and cash equivalents, end of period	\$ 203.8	\$ 271.2
Restricted cash included in other assets	1.5	1.5
Total cash and cash equivalents and restricted cash	\$ 205.3	\$ 272.7

Supplemental cash flow information:

Cash paid for interest	\$ 34.1	\$ 32.7
Cash paid for taxes, net of (refunds)	\$ 7.8	\$ 3.6

Non-cash investing and financing activities:

Property, plant and equipment included in accounts payable	\$ 5.2	\$ 6.0
Investments included in accounts receivable	\$ 20.0	\$ 9.7
Investments included in accounts payable	\$ 8.6	\$ 31.6

Reclassification

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

- The reclassification of GMSL'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 20. Operating Segment and Related Information for further information; and
- The restatement 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 21. Basic and Diluted Income Per Common Share for further details.

Accounting Pronouncements Adopted in the Current Year

The Company has implemented all new accounting pronouncements that are in effect and that may impact its Condensed Consolidated Financial Statements. The Company does not believe that there are any new accounting pronouncements issued since the filing of its 2019 Form 10-K that will have a material impact on its financial condition, results of operations or liquidity.

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 its 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.

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

Available for sale fixed maturity securities are not in scope of the new credit loss model, but will undergo targeted improvements to the current reporting model including the establishment of a valuation allowance for credit losses versus the current direct write down approach. The Company will continue to identify any other financial assets not excluded from scope.

The Company plans to use the modified retrospective method which will include a cumulative effect adjustment on the balance sheet as of the beginning of the fiscal year of adoption. However, prospective application is required for purchased credit deteriorated assets previously accounted for under ASU 310-39 for debt securities for which an other-than-temporary impairment ("OTTI") was recognized prior to the date of adoption. 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 Condensed 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 Condensed Consolidated Statements of Operations will reflect the measurement of expected credit losses for newly recognized financial assets as well as the expected increases or decreases (including the reversal of previously recognized losses) of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.
- Disclosures will be required to include information around how the credit loss allowance was developed, further details on information currently disclosed about credit quality of financing receivables and net investments in leases, and a rollforward of the allowance for credit losses for available for sale fixed maturity securities as well as an aging analysis for securities that are past due.

The Company anticipates a significant impact on the systems, processes and controls. While the requirements of the new guidance represent a material change from existing GAAP, the underlying economics of items in scope and related cash flows are unchanged. Focus areas will include, but not be limited to: (i) updating procedures to reflect new guidance requiring establishment of allowance for credit losses on available for sale debt securities; (ii) establishing procedures to review reinsurance risk to include but not limited to review of reinsurer ratings, trust agreements where applicable and historical and current performance; (iii) establishing procedures to identify and review all remaining financial assets within scope; and (iv) developing, testing, and implementing controls for newly developed procedures, as well as for additional annual reporting requirements.

Long-Duration Contracts

ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, was issued by the FASB in August 2018 and is expected to have a significant impact on the Company's 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 its long-duration insurance contracts. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its 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.

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

- 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.

The FASB has voted to delay the effective date of ASU 2018-12 to January 1, 2024 for smaller reporting companies with a revised ASU in the fourth quarter of 2019. Currently, the Company plans to focus on developing models and procedures through 2021, with testing and refinement of models occurring in 2022 and parallel testing performed in 2023. The Company may choose one of two adoption methods for the liability for future policy benefits: (i) a modified retrospective transition method whereby the entity will apply the amendments to contracts inforce as of the beginning of the earliest period presented on the basis of their existing carrying amounts adjusted for the removal of any related amounts in AOCI or (ii) a full retrospective transition method. Focus areas will include, but not be limited to: (i) determining an appropriate upper-medium grade fixed income instrument yield source from the market; (ii) establishing appropriate aggregation of liabilities; (iii) establishing liability models for each contract grouping identified that may be quickly updated to reflect current inforce listing and new discount rates on a quarterly basis; (iv) establishing appropriate best estimate assumptions with no provision for adverse deviation; (v) establishing procedures for annual review of assumptions including tracking of actual experience for enhanced reporting requirements; (vi) establishing new VOBA amortization that will align with new guidance for DAC amortization; and (vii) developing, testing, and implementing controls for newly developed procedures, as well as for additional annual reporting requirements.

Subsequent Events

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

3. Discontinued Operations

The sale of GMSL closed on February 28, 2020. As a result of the sale, the results of GMSL and transaction related expenses directly attributable to the sale were reported as discontinued operations. Summarized operating results of the discontinued operations are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenue	\$ —	\$ 39.4	\$ 17.3	\$ 81.8
Cost of revenue	—	30.6	18.2	63.8
Selling, general and administrative	—	5.9	13.7	11.9
Depreciation and amortization	—	6.4	3.8	13.0
Other operating expenses	—	(0.8)	—	(0.2)
Loss from operations	—	(2.7)	(18.4)	(6.7)
Interest expense	—	(3.9)	(3.6)	(7.4)
Loss on sale of subsidiary	—	—	(39.3)	—
(Loss) income from equity investees	—	(1.1)	0.5	(0.1)
Other income	—	0.1	0.9	—
Pre-tax loss from discontinued operations	—	(7.6)	(59.9)	(14.2)
Income tax benefit (expense)	—	(0.1)	(0.1)	(0.1)
Loss from discontinued operations	\$ —	\$ (7.7)	\$ (60.0)	\$ (14.3)

The Company recorded a \$39.3 million loss on the sale, inclusive of recognizing a \$31.3 million loss from the realization of AOCI.

The net proceeds from the sale of GMSL were used to repay HC2's \$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 three and six months ended June 30, 2020 and 2019 associated with the principal prepayment from continuing operations to discontinued operations on the Company's Condensed Consolidated Statement of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense	\$ —	\$ 0.2	\$ 0.2	\$ 0.2
Amortization of deferred financing costs and original issuance discount	\$ —	\$ 0.1	\$ 0.1	\$ 0.1

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 three and six months ended June 30, 2020 and 2019, from continuing operations to discontinued operations on the Company's Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense	\$ —	\$ 2.2	\$ 2.2	\$ 4.4
Amortization of deferred financing costs and original issuance discount	\$ —	\$ 0.3	\$ 0.2	\$ 0.5

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

	December 31, 2019
Assets	
Other invested assets	\$ 16.9
Cash and cash equivalents	10.2
Accounts receivable, net	26.0
Property, plant and equipment, net	182.1
Goodwill	14.3
Intangibles, net	5.3
Other assets	68.5
Total assets held for sale	\$ 323.3
Liabilities	
Accounts payable and other current liabilities	\$ 33.4
Debt obligations	65.6
Pension Liability	18.8
Other liabilities	36.1
Total liabilities held for sale	\$ 153.9

For further details related to the sale of GMSL, see note 5. Acquisitions, Dispositions, and Deconsolidations.

4. Revenue

Revenue from contracts with customers consist of the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue ⁽¹⁾				
Construction	\$ 172.3	\$ 195.7	\$ 348.8	\$ 387.8
Energy	10.3	5.5	20.7	10.6
Telecommunications	107.3	189.3	293.7	344.8
Broadcasting	9.5	10.0	19.6	19.8
Total revenue	\$ 299.4	\$ 400.5	\$ 682.8	\$ 763.0

⁽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):

	June 30, 2020	December 31, 2019
Accounts receivables with customers		
Construction	\$ 176.1	\$ 199.2
Energy	12.1	31.1
Telecommunications	43.9	51.9
Broadcasting	7.1	8.5
Total accounts receivables with customers	\$ 239.2	\$ 290.7

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

Construction Segment

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Commercial	\$ 54.0	\$ 52.9	\$ 116.8	\$ 112.3
Convention	1.4	28.4	3.8	57.1
Healthcare	4.7	13.6	12.6	22.4
Industrial	59.6	62.7	118.4	116.5
Transportation	23.5	16.3	39.9	34.4
Leisure	11.3	11.5	27.3	26.3
Other	17.2	10.1	29.4	18.6
Total revenue from contracts with customers	171.7	195.5	348.2	387.6
Other revenue	0.6	0.2	0.6	0.2
Total Construction segment revenue	\$ 172.3	\$ 195.7	\$ 348.8	\$ 387.8

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

	June 30, 2020	December 31, 2019
Contract assets	\$ 57.7	\$ 50.6
Contract liabilities	\$ (68.1)	\$ (50.6)

The change in contract assets is a result of the recording of \$19.5 million of costs in excess of billings driven by new commercial projects, offset by \$12.4 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 \$53.6 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 \$36.1 million.

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

	Within one year	Within five years	Total
Commercial	\$ 114.5	\$ 2.9	\$ 117.4
Convention	25.0	2.5	27.5
Healthcare	48.3	—	48.3
Industrial	80.5	—	80.5
Transportation	36.9	—	36.9
Leisure	13.3	—	13.3
Other	71.1	—	71.1
Remaining unsatisfied performance obligations	\$ 389.6	\$ 5.4	\$ 395.0

DBMG includes an additional \$15.3 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.

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

Energy Segment

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Volume-related	\$ 8.3	\$ 5.3	\$ 17.0	\$ 10.1
Maintenance services	—	—	—	—
Total revenue from contracts with customers	8.3	5.3	17.0	10.1
RNG incentives	0.1	0.1	0.2	0.4
Alternative fuel tax credit	1.3	—	2.7	—
Other revenue	0.6	0.1	0.8	0.1
Total Energy segment revenue	\$ 10.3	\$ 5.5	\$ 20.7	\$ 10.6

Telecommunications Segment

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Termination of long distance minutes	\$ 107.3	\$ 189.3	\$ 293.7	\$ 344.8
Total revenue from contracts with customers	107.3	189.3	293.7	344.8
Other revenue	—	—	—	—
Total Telecommunications segment revenue	\$ 107.3	\$ 189.3	\$ 293.7	\$ 344.8

Broadcasting Segment

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Network advertising	\$ 4.0	\$ 5.4	\$ 9.0	\$ 10.8
Broadcast station	3.8	2.9	7.3	5.6
Network distribution	1.0	1.2	2.1	2.7
Other	0.7	0.5	1.2	0.7
Total revenue from contracts with customers	9.5	10.0	19.6	19.8
Other revenue	—	—	—	—
Total Broadcasting segment revenue	\$ 9.5	\$ 10.0	\$ 19.6	\$ 19.8

The transaction price allocated to remaining unsatisfied performance obligations consisted of \$3.8 million, \$7.6 million, and \$0.2 million of network advertising, broadcasting station revenues, and other revenues, respectively, of which \$5.2 million is expected to be recognized within one year and an additional \$6.4 million is expected to be recognized within five years.

5. Acquisitions, Dispositions, and Deconsolidations

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. In addition, GMH held \$3.1 million as reserves for transaction related costs and HC2 received net proceeds of approximately \$98.6 million.

The Company recorded a \$39.3 million loss on the sale, inclusive of recognizing a \$31.3 million loss from the realization of AOCI. The Company recorded an overall gain of \$31.8 million from the disposition of the Marine Segment upon the sale of the portion of New Saxon's interest in HMN that represents 30% of HMN, which closed in May 2020.

See Note 3. Discontinued Operations for further details.

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 of GMSL's interest values HMN at \$285 million, and GMH's 49% stake 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.

Energy Segment

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

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

Broadcasting Segment

During the year ended December 31, 2019, HC2 Broadcasting acquired a series of licenses for a total consideration of \$71.4 million. All transactions were accounted for as asset acquisitions.

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

6. Investments

Fixed Maturity Securities

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

<u>June 30, 2020</u>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and government agencies	\$ 7.3	\$ 1.2	\$ —	\$ 8.5
States, municipalities and political subdivisions	386.0	50.7	—	436.7
Residential mortgage-backed securities	57.0	4.2	(1.5)	59.7
Commercial mortgage-backed securities	111.9	1.2	(21.9)	91.2
Asset-backed securities	575.8	2.6	(46.9)	531.5
Corporate and other	2,686.8	372.3	(70.4)	2,988.7
Total fixed maturity securities	\$ 3,824.8	\$ 432.2	\$ (140.7)	\$ 4,116.3

<u>December 31, 2019</u>	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 June 30, 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	\$ 40.1	\$ 40.4
Due after one year through five years	272.1	275.4
Due after five years through ten years	420.4	437.9
Due after ten years	2,347.5	2,680.2
Subtotal	3,080.1	3,433.9
Mortgage-backed securities	168.9	150.9
Asset-backed securities	575.8	531.5
Total	\$ 3,824.8	\$ 4,116.3

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

	June 30, 2020			December 31, 2019		
	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
Finance, insurance, and real estate	\$ 814.1	\$ 839.9	28.1 %	\$ 632.2	\$ 674.9	23.8 %
Transportation, communication and other services	695.6	763.1	25.5 %	785.7	855.2	30.3 %
Manufacturing	703.2	843.2	28.2 %	728.7	825.9	29.2 %
Other	473.9	542.5	18.2 %	422.5	471.0	16.7 %
Total	\$ 2,686.8	\$ 2,988.7	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):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net realized and unrealized gains on investments	\$ 0.1	\$ —	\$ 0.9	\$ —
Other income (expenses), net	—	—	0.1	—
Total other-than-temporary impairments	\$ 0.1	\$ —	\$ 1.0	\$ —

The following table presents the total unrealized losses for the 201 and 139 fixed maturity securities held by the Company as of June 30, 2020 and December 31, 2019, respectively, where the estimated fair value had declined and remained below amortized cost by the indicated amount (in millions):

	June 30, 2020		December 31, 2019	
	Unrealized Losses	% of Total	Unrealized Losses	% of Total
Fixed maturity securities				
Less than 20%	\$ (56.8)	40.3 %	\$ (32.6)	97.6 %
20% or more for less than six months	(82.7)	58.8 %	—	— %
20% or more for six months or greater	(1.2)	0.9 %	(0.8)	2.4 %
Total	\$ (140.7)	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 June 30, 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 201 and 139 fixed maturity securities held by the Company that have estimated fair values below amortized cost as of each of June 30, 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):

<u>June 30, 2020</u>	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
States, municipalities and political subdivisions	\$ 5.7	\$ —	\$ —	\$ —	\$ 5.7	\$ —
Residential mortgage-backed securities	11.1	(1.3)	0.7	(0.2)	11.8	(1.5)
Commercial mortgage-backed securities	56.1	(21.9)	—	—	56.1	(21.9)
Asset-backed securities	226.3	(20.3)	132.2	(26.6)	358.5	(46.9)
Corporate and other	396.2	(42.0)	83.4	(28.4)	479.6	(70.4)
Total fixed maturity securities	\$ 695.4	\$ (85.5)	\$ 216.3	\$ (55.2)	\$ 911.7	\$ (140.7)

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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 June 30, 2020, investment grade fixed maturity securities (as determined by nationally recognized rating agencies) represented approximately 68.4% of the gross unrealized loss and 84.8% 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):

	June 30, 2020	December 31, 2019
Equity securities		
Common stock	\$ 5.8	\$ 10.5
Perpetual preferred stock	68.0	82.0
Total equity securities	\$ 73.8	\$ 92.5

Net investment income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Fixed maturity securities, available-for-sale at fair value	\$ 45.0	\$ 43.7	\$ 90.6	\$ 87.3
Equity securities	0.8	2.1	1.9	4.6
Mortgage loans	3.2	3.1	8.5	6.8
Policy loans	0.3	0.2	0.6	0.6
Other invested assets	(0.5)	1.4	(0.5)	2.6
Gross investment income	48.8	50.5	101.1	101.9
External investment expense	(0.3)	(0.2)	(0.7)	(0.5)
Net investment income	\$ 48.5	\$ 50.3	\$ 100.4	\$ 101.4

Net realized and unrealized gains (losses) on investments

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Realized gains on fixed maturity securities	\$ 8.4	\$ 4.2	\$ 12.0	\$ 5.1
Realized losses on fixed maturity securities	(12.4)	(3.3)	(13.1)	(5.1)
Realized gains on equity securities	0.2	0.3	0.2	0.4
Realized losses on equity securities	(0.1)	(0.2)	(0.1)	(1.1)
Realized gains on mortgage loans	0.1	—	0.2	—
Net unrealized gains (losses) on equity securities	3.0	(1.6)	(18.5)	5.8
Net unrealized gains (losses) on derivative instruments	0.4	(0.9)	0.6	(1.1)
Impairment loss	(0.1)	—	(0.9)	—
Net realized and unrealized gains (losses)	\$ (0.5)	\$ (1.5)	\$ (19.6)	\$ 4.0

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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):

<u>June 30, 2020</u>	Fair Value Measurement Using:			
	Total	Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	\$ 8.5	\$ 5.5	\$ 3.0	\$ —
States, municipalities and political subdivisions	436.7	—	433.7	3.0
Residential mortgage-backed securities	59.7	—	50.1	9.6
Commercial mortgage-backed securities	91.2	—	40.1	51.1
Asset-backed securities	531.5	—	28.7	502.8
Corporate and other	2,988.7	37.9	2,808.2	142.6
Total fixed maturity securities	4,116.3	43.4	3,363.8	709.1
Equity securities				
Common stocks	5.8	4.3	—	1.5
Perpetual preferred stocks	68.0	4.7	19.4	43.9
Total equity securities	73.8	9.0	19.4	45.4
Total assets accounted for at fair value	\$ 4,190.1	\$ 52.4	\$ 3,383.2	\$ 754.5
Liabilities				
Embedded derivative	\$ 8.7	\$ —	\$ —	\$ 8.7
Other	3.9	—	—	3.9
Total liabilities accounted for at fair value	\$ 12.6	\$ —	\$ —	\$ 12.6

<u>December 31, 2019</u>	Fair Value Measurement Using:			
	Total	Level 1	Level 2	Level 3
Assets				
Fixed maturity securities				
U.S. Government and government agencies	\$ 7.7	\$ 4.8	\$ 2.9	\$ —
States, municipalities and political subdivisions	440.1	—	440.1	—
Residential mortgage-backed securities	66.9	—	57.7	9.2
Commercial mortgage-backed securities	109.4	—	74.8	34.6
Asset-backed securities	577.8	—	27.2	550.6
Corporate and other	2,827.0	46.5	2,669.5	111.0
Total fixed maturity securities	4,028.9	51.3	3,272.2	705.4
Equity securities				
Common stocks	10.5	7.1	—	3.4
Perpetual preferred stocks	82.0	5.0	22.8	54.2
Total equity securities	92.5	12.1	22.8	57.6
Total assets accounted for at fair value	\$ 4,121.4	\$ 63.4	\$ 3,295.0	\$ 763.0
Liabilities				
Embedded Derivatives	\$ 3.0	\$ —	\$ —	\$ 3.0
Other	4.8	—	—	4.8
Total liabilities accounted for at fair value	\$ 7.8	\$ —	\$ —	\$ 7.8

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 \$54.1 million during the six months ended June 30, 2020. The Company's assessment resulted in a net transfer into Level 3 of \$73.7 million during the six months ended June 30, 2019.



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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.

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Level 3 Measurements and Transfers

The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for the three and six months ended June 30, 2020 and 2019 (in millions):

	March 31, 2020	Total realized/unrealized gains (losses) included in		Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2020
		Net earnings (loss)	Other comp. income (loss)					
Assets								
Fixed maturity securities								
States, municipalities and political subdivisions	\$ 9.0	\$ 0.1	\$ 1.9	\$ —	\$ —	\$ 3.0	\$ (11.0)	\$ 3.0
Residential mortgage-backed securities	13.0	—	0.3	—	(0.8)	—	(2.9)	9.6
Commercial mortgage-backed securities	34.2	0.1	(8.1)	—	—	24.9	—	51.1
Asset-backed securities	285.5	(5.9)	65.6	—	(34.2)	191.8	—	502.8
Corporate and other	168.7	(0.1)	7.5	3.2	(2.8)	4.8	(38.7)	142.6
Total fixed maturity securities	510.4	(5.8)	67.2	3.2	(37.8)	224.5	(52.6)	709.1
Equity securities								
Common stocks	3.4	(1.9)	—	—	—	—	—	1.5
Perpetual preferred stocks	38.2	2.3	1.7	—	—	1.7	—	43.9
Total equity securities	41.6	0.4	1.7	—	—	1.7	—	45.4
Total financial assets	\$ 552.0	\$ (5.4)	\$ 68.9	\$ 3.2	\$ (37.8)	\$ 226.2	\$ (52.6)	\$ 754.5

	Balance at March 31, 2020	Total realized/unrealized (gains) losses included in		Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2020
		Net earnings (loss)	Other comp. income (loss)					
Liabilities								
Embedded derivative	\$ 0.7	\$ 8.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8.7
Other	3.7	0.2	—	—	—	—	—	3.9
Total financial liabilities	\$ 4.4	\$ 8.2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12.6

	Balance at December 31, 2019	Total realized/unrealized gains (losses) included in		Purchases and issuances	Sales and settlements	Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2020
		Net earnings (loss)	Other comp. income (loss)					
Assets								
Fixed maturity securities								
States, municipalities and political subdivisions	\$ —	\$ 0.2	\$ 0.9	\$ —	\$ —	\$ 12.9	\$ (11.0)	\$ 3.0
Residential mortgage-backed securities	9.2	—	(1.6)	—	(1.5)	6.8	(3.3)	9.6
Commercial mortgage-backed securities	34.6	0.1	(13.4)	—	(0.2)	30.0	—	51.1
Asset-backed securities	550.6	(5.9)	(27.7)	60.0	(85.7)	191.8	(180.3)	502.8
Corporate and other	111.0	(0.2)	(5.5)	35.9	(4.1)	45.5	(40.0)	142.6
Total fixed maturity securities	705.4	(5.8)	(47.3)	95.9	(91.5)	287.0	(234.6)	709.1
Equity securities								
Common stocks	3.4	(1.9)	—	—	—	—	—	1.5
Perpetual preferred stocks	54.2	2.3	(14.3)	—	—	1.7	—	43.9
Total equity securities	57.6	0.4	(14.3)	—	—	1.7	—	45.4
Total financial assets	\$ 763.0	\$ (5.4)	\$ (61.6)	\$ 95.9	\$ (91.5)	\$ 288.7	\$ (234.6)	\$ 754.5

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	Balance at December 31, 2019	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2020
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Liabilities									
Embedded derivative	\$ 3.0	\$ 5.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8.7
Other	4.8	(0.9)	—	—	—	—	—	3.9	
Total financial liabilities	\$ 7.8	\$ 4.8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12.6	

	Balance at March 31, 2019	Total realized/unrealized gains (losses) included in					Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2019
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Assets									
Fixed maturity securities									
States, municipalities and political subdivisions	\$ —	\$ —	\$ —	\$ —	\$ (0.5)	\$ 4.2	\$ —	\$ 3.7	
Residential mortgage-backed securities	13.1	—	0.2	—	(0.5)	—	(0.3)	12.5	
Commercial mortgage-backed securities	61.8	—	0.6	5.1	(0.1)	—	(1.0)	66.4	
Asset-backed securities	472.1	(1.6)	4.7	39.9	(102.5)	—	—	412.6	
Corporate and other	198.5	(0.1)	(6.0)	15.8	(12.9)	—	(37.2)	158.1	
Total fixed maturity securities	745.5	(1.7)	(0.5)	60.8	(116.5)	4.2	(38.5)	653.3	
Equity securities									
Common stocks	6.1	—	—	—	(1.0)	—	(0.2)	4.9	
Perpetual preferred stocks	55.1	(3.4)	—	2.5	—	3.0	(0.1)	57.1	
Total equity securities	61.2	(3.4)	—	2.5	(1.0)	3.0	(0.3)	62.0	
Total financial assets	\$ 806.7	\$ (5.1)	\$ (0.5)	\$ 63.3	\$ (117.5)	\$ 7.2	\$ (38.8)	\$ 715.3	

	Balance at March 31, 2019	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2019
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Liabilities									
Embedded derivatives	\$ 6.1	\$ (3.2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2.9	
Other	2.7	(0.3)	—	3.0	—	—	—	5.4	
Total financial liabilities	\$ 8.8	\$ (3.5)	\$ —	\$ 3.0	\$ —	\$ —	\$ —	\$ 8.3	

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	Balance at December 31, 2018	Total realized/unrealized gains (losses) included in					Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2019
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Assets									
Fixed maturity securities									
States, municipalities and political subdivisions	\$ —	\$ —	\$ —	\$ —	\$ (0.5)	\$ 4.2	\$ —	\$ 3.7	
Residential mortgage-backed securities	19.0	—	0.3	—	(0.8)	—	(6.0)	12.5	
Commercial mortgage-backed securities	58.2	—	2.1	7.5	(0.5)	—	(0.9)	66.4	
Asset-backed securities	478.2	(1.6)	18.0	88.5	(176.1)	5.6	—	412.6	
Corporate and other	85.0	(0.1)	2.3	20.4	(17.5)	105.0	(37.0)	158.1	
Total fixed maturity securities	640.4	(1.7)	22.7	116.4	(195.4)	114.8	(43.9)	653.3	
Equity securities									
Common stocks	5.9	0.2	—	—	(1.0)	—	(0.2)	4.9	
Perpetual preferred stocks	55.3	(3.7)	—	2.5	—	3.0	—	57.1	
Total equity securities	61.2	(3.5)	—	2.5	(1.0)	3.0	(0.2)	62.0	
Total financial assets	\$ 701.6	\$ (5.2)	\$ 22.7	\$ 118.9	\$ (196.4)	\$ 117.8	\$ (44.1)	\$ 715.3	

	Balance at December 31, 2018	Total realized/unrealized (gains) losses included in					Transfer to Level 3	Transfer out of Level 3	Balance at June 30, 2020
		Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements				
Liabilities									
Embedded derivatives	\$ 8.4	\$ (5.5)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2.9	
Other	3.5	(1.1)	—	3.0	—	—	—	5.4	
Total financial liabilities	\$ 11.9	\$ (6.6)	\$ —	\$ 3.0	\$ —	\$ —	\$ —	\$ 8.3	

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):

	Carrying Value	Estimated Fair Value	Fair Value Measurement Using:		
			Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 128.8	\$ 128.8	\$ —	\$ —	\$ 128.8
Policy loans	18.5	18.5	—	18.5	—
Other invested assets	11.3	11.3	—	—	11.3
Total assets not accounted for at fair value	\$ 158.6	\$ 158.6	\$ —	\$ 18.5	\$ 140.1
Liabilities					
Annuity benefits accumulated ⁽¹⁾	\$ 230.2	\$ 227.5	\$ —	\$ —	\$ 227.5
Long-term obligations ⁽²⁾	632.5	639.0	—	639.0	—
Total liabilities not accounted for at fair value	\$ 862.7	\$ 866.5	\$ —	\$ 639.0	\$ 227.5

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December 31, 2019

	Carrying Value	Estimated Fair Value	Fair Value Measurement Using:		
			Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 183.5	\$ 183.5	\$ —	\$ —	\$ 183.5
Policy loans	19.1	19.1	—	19.1	—
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⁾	772.0	768.9	—	768.9	—
Total liabilities not accounted for at fair value	\$ 1,005.9	\$ 999.9	\$ —	\$ 768.9	\$ 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):

	June 30, 2020	December 31, 2019
Contracts in progress	\$ 125.3	\$ 177.8
Trade receivables	51.7	60.6
Unbilled retentions	63.9	53.9
Other receivables	21.8	21.0
Allowance for doubtful accounts	(1.5)	(1.5)
Total accounts receivable, net	\$ 261.2	\$ 311.8

9. Recoverable from Reinsurers

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

Reinsurer	A.M. Best Rating	June 30, 2020		December 31, 2019	
		Amount	% of Total	Amount	% of Total
Munich American Reassurance Company	A+	\$ 359.0	37.4 %	\$ 347.6	36.4 %
Hannover Life Reassurance Company of America	A+	318.9	33.3 %	323.3	33.9 %
Loyal American Life Insurance Company	A	146.5	15.3 %	147.5	15.5 %
Great American Life Insurance Company	A	56.5	5.9 %	56.2	5.9 %
ManhattanLife Assurance Company of America	B+	47.0	4.9 %	47.0	4.9 %
Other		30.5	3.2 %	32.1	3.4 %
Total		\$ 958.4	100.0 %	\$ 953.7	100.0 %

10. Property, Plant and Equipment, net

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

	June 30, 2020	December 31, 2019
Equipment, furniture and fixtures, and software	\$ 221.6	\$ 212.8
Building and leasehold improvements	41.0	40.1
Land	36.5	36.8
Construction in progress	3.9	4.8
Plant and transportation equipment	4.9	5.2
	<u>307.9</u>	<u>299.7</u>
Less: Accumulated depreciation	87.7	76.0
Total	<u>\$ 220.2</u>	<u>\$ 223.7</u>

Depreciation expense was \$7.0 million and \$6.6 million for the three months ended June 30, 2020 and 2019, respectively. These amounts included \$2.3 million and \$2.3 million of depreciation expense recognized within cost of revenue for the three months ended June 30, 2020 and 2019, respectively.

Depreciation expense was \$13.8 million and \$12.6 million for the six months ended June 30, 2020 and 2019, respectively. These amounts included \$4.6 million and \$4.5 million of depreciation expense recognized within cost of revenue for the six months ended June 30, 2020 and 2019, respectively.

11. Goodwill and Intangibles, net

HC2 is required to assess goodwill and indefinite-intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. 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 2019 impairment test.

As a result of this assessment, the Company determined that a “triggering event” had occurred relative to its Broadcasting segment in the first quarter of 2020 and, as required, performed a quantitative analysis, with the assistance of a third-party valuation firm, of the value of the Broadcasting reporting unit and its indefinite-lived intangible assets. Based on the analysis, the Company determined that the fair value of the Broadcasting 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 Broadcasting 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 Broadcasting 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 Broadcasting reporting unit, resulting in potential impairment charges in subsequent periods. As of March 31, 2020, while the fair value of the Broadcasting reporting unit declined, the fair value of the Broadcasting reporting unit continued to exceed its carrying value.

The Company reviewed qualitative factors of potential impairment for Goodwill and Intangible assets in the second quarter of 2020, and noted there were no triggering events which would indicate impairment may have occurred.

The COVID-19 pandemic or other events could cause a further and sustained decline in the value of our reporting units or other triggering event that could cause the Company to perform a goodwill impairment test and result in an impairment charge being recorded in a future period.

Goodwill

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

	Construction	Energy	Broadcasting	Total
Balance at December 31, 2019	\$ 89.0	\$ 2.1	\$ 21.4	\$ 112.5
Translation	0.1	—	—	0.1
Balance at June 30, 2020	<u>\$ 89.1</u>	<u>\$ 2.1</u>	<u>\$ 21.4</u>	<u>\$ 112.6</u>

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

Indefinite-lived Intangible Assets

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

	June 30, 2020	December 31, 2019
FCC licenses	\$ 136.5	\$ 136.2
State licenses	2.5	2.5
Total	\$ 139.0	\$ 138.7

Definite Lived Intangible Assets

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

	Weighted- Average Original Useful Life	June 30, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trade names	13 Years	\$ 24.2	\$ (7.6)	\$ 16.6	\$ 24.2	\$ (6.6)	\$ 17.6
Customer relationships	10 Years	48.5	(15.3)	33.2	48.6	(13.1)	35.5
Channel sharing arrangements	35 Years	27.2	(1.3)	25.9	27.2	(0.9)	26.3
Other	7 Years	5.7	(2.2)	3.5	5.5	(1.9)	3.6
Total		\$ 105.6	\$ (26.4)	\$ 79.2	\$ 105.5	\$ (22.5)	\$ 83.0

Amortization expense for definite lived intangible assets was \$2.0 million and \$2.9 million for the three months ended June 30, 2020 and 2019, respectively, and \$4.0 million and \$6.0 million for the six months ended June 30, 2020 and 2019, respectively. Amortization expense was included in Depreciation and amortization in our Condensed Consolidated Statements of Operations.

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):

2020	\$ 4.1
2021	7.8
2022	7.6
2023	7.5
2024	7.0
Thereafter	45.2
Total	\$ 79.2

12. Life, Accident and Health Reserves

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

	June 30, 2020	December 31, 2019
Long-term care insurance reserves	\$ 4,250.6	\$ 4,201.6
Traditional life insurance reserves	168.3	173.4
Other accident and health insurance reserves	189.9	192.1
Total life, accident and health reserves	<u>\$ 4,608.8</u>	<u>\$ 4,567.1</u>

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

	Six Months Ended June 30,	
	2020	2019
Beginning balance	\$ 761.3	\$ 738.7
Less: recoverable from reinsurers	(131.0)	(136.4)
Beginning balance, net	<u>630.3</u>	<u>602.3</u>
Incurred related to insured events of:		
Current year	112.2	108.8
Prior years	(11.3)	(41.2)
Total incurred	<u>100.9</u>	<u>67.6</u>
Paid related to insured events of:		
Current year	(3.8)	(2.9)
Prior years	(82.4)	(74.1)
Total paid	<u>(86.2)</u>	<u>(77.0)</u>
Interest on liability for policy and contract claims	11.3	10.7
Ending balance, net	<u>656.3</u>	<u>603.6</u>
Add: recoverable from reinsurers	139.5	137.4
Ending balance	<u>\$ 795.8</u>	<u>\$ 741.0</u>

The Insurance segment experienced a favorable claims reserve development of \$11.3 million and \$41.2 million for the six months ended June 30, 2020 and 2019, respectively. There was favorable development with claim terminations and care transitions for claims incurred prior to 2020 that created the sufficiency within the six months ended June 30, 2020. Due to favorable development in the estimates for benefits remaining during the six months ended June 30, 2019, experience in the first half of 2020 has been less favorable than in 2019, but it is too early to determine if this trend will be persistent or is the result of normal volatility in claims activity from period to period.

13. Accounts Payable and Other Current Liabilities

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

	June 30, 2020	December 31, 2019
Accounts payable	\$ 114.9	\$ 134.6
Accrued expenses and other current liabilities	65.3	75.2
Accrued interconnection costs	35.7	43.5
Accrued payroll and employee benefits	40.7	39.6
Accrued interest	13.6	11.3
Accrued income taxes	12.8	2.0
Total accounts payable and other current liabilities	<u>\$ 283.0</u>	<u>\$ 306.2</u>

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

14. Debt Obligations

Debt obligations consist of the following (in millions):

	June 30, 2020	December 31, 2019
Construction		
LIBOR plus 5.85% Note, due 2023	\$ 74.6	\$ 77.0
LIBOR plus 1.50% Line of Credit	30.9	48.9
Obligations under finance leases	0.2	0.2
Energy		
LIBOR plus 3.0% Term Loan due in 2023 ⁽¹⁾	25.8	27.1
5.00% Term Loan due in 2022 ⁽¹⁾	10.6	11.2
4.50% Note due in 2022 ⁽¹⁾	9.6	10.2
Other, various maturity dates	2.4	2.4
Broadcasting		
8.50% Note due 2020	39.3	36.2
10.50% Note due 2020	42.5	42.5
Other, various maturity dates	5.3	7.9
Obligations under finance leases	1.0	1.4
Non-Operating Corporate		
11.50% Senior Secured Notes, due 2021	342.4	470.0
7.50% Convertible Senior Notes, due 2022	55.0	55.0
LIBOR plus 6.75% Line of Credit	15.0	15.0
Total	654.6	805.0
Issuance discount, net and deferred financing costs	(20.8)	(31.4)
Total debt obligations	<u>\$ 633.8</u>	<u>\$ 773.6</u>

(1) On August 6, 2020 the Energy segment entered into a new credit facility M&T bank. Proceeds from the loan and cash on hand were used to pay down the existing credit facilities with M&T and Pioneer as well as redeem its outstanding \$14.0 million preferred stock, which carried a 14% interest rate. The new credit facility is comprised of a \$57.0 million term loan facility, a \$2.5 million revolving line of credit and an \$8.0 million delayed draw term loan ear-marked for new station build, as well as a \$10.0 million accordion feature.

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

	Finance Leases	Debt	Total
2020	\$ 1.1	\$ 140.4	\$ 141.5
2021	0.2	418.6	418.8
2022	—	76.5	76.5
2023	—	94.3	94.3
2024	—	11.3	11.3
Thereafter	—	6.5	6.5
Total minimum principal & interest payments	1.3	747.6	748.9
Less: Amount representing interest	(0.1)	(94.2)	(94.3)
Total aggregate finance lease and debt payments	<u>\$ 1.2</u>	<u>\$ 653.4</u>	<u>\$ 654.6</u>

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

Broadcasting

In February 2020, Broadcasting 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.

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 Condensed Consolidated Statements of Operations.

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

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.

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 Condensed Consolidated Statements 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 Statements of Operations.

HC2 is in compliance with our debt covenants as of June 30, 2020.

15. Income Taxes

Income Tax Expense

The Company used the Annual Effective Tax Rate (“ETR”) approach of ASC 740-270, Interim Reporting, to calculate its 2020 interim tax provision.

Income tax expense was \$15.4 million and \$1.1 million for the three months ended June 30, 2020 and 2019, respectively. The income tax expense recorded for the three months ended June 30, 2020 primarily relates to tax expense incurred in China from the partial sale of HMN and projected expense as calculated under ASC 740 for tax paying entities, primarily the Insurance segment, which is no longer in a valuation allowance. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration. The income tax expense recorded for the three months ended June 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income.

Income tax expense was \$2.8 million and \$5.1 million for the six months ended June 30, 2020 and 2019, respectively. The income tax expense recorded for the six months ended June 30, 2020 primarily relates to tax expense incurred in China from the partial sale of HMN and projected expense as calculated under ASC 740 for tax paying entities, primarily the Insurance segment, which is no longer in a valuation allowance, which was mostly offset by 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”). Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration. The income tax expense recorded for the six months ended June 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income.

Unrecognized Tax Benefits

The Company follows the provision of ASC 740-10, Income Taxes, which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes.

Examinations

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world. The open tax years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the applicability of income tax credits for the relevant tax period. Given the nature of tax audits there is a risk that disputes may arise. Tax years 2002 - 2019 remain open for examination.

16. Commitments and Contingencies

Future minimum purchase obligations as of December 31, 2019 were as follows (in millions):

2020	\$	86.3
2021		3.3
2022		0.2
2023		0.2
2024		0.2
Thereafter		—
Total obligations	\$	90.2

As of December 31, 2019, undiscounted cash flows for finance and operating leases are as follows (in millions):

	Operating Leases	Finance Leases
2020	\$ 15.1	\$ 1.0
2021	13.4	0.7
2022	10.9	0.1
2023	8.8	—
2024	6.6	—
Thereafter	8.2	—
Total future lease payments	63.0	1.8
Less: Present values	(9.3)	(0.1)
Total lease liability balance	\$ 53.7	\$ 1.7

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

DBMG Class Action

On November 6, 2014, a putative stockholder class action complaint challenging the tender offer by which HC2 acquired approximately 721,000 of the issued and outstanding common shares of DBMG was filed in the Court of Chancery of the State of Delaware (the "Court"), captioned Mark Jacobs v. Philip A. Falcone, Keith M. Hladek, Paul Voigt, Michael R. Hill, Rustin Roach, D. Ronald Yagoda, Phillip O. Elbert, HC2 Holdings, Inc., and Schuff International, Inc., Civil Action No. 10323 (the "Complaint"). On November 17, 2014, a second lawsuit was filed in the Court, captioned Arlen Diercks v. Schuff International, Inc. Philip A. Falcone, Keith M. Hladek, Paul Voigt, Michael R. Hill, Rustin Roach, D. Ronald Yagoda, Phillip O. Elbert, HC2 Holdings, Inc., Civil Action No. 10359. On February 19, 2015, the Court consolidated the actions (now designated as Schuff International, Inc. Stockholders Litigation) and appointed lead plaintiff and counsel. The currently operative complaint is the Complaint filed by Mark Jacobs. The Complaint alleges, among other things, that in connection with the tender offer, the individual members of the DBMG Board of Directors and HC2, the now-controlling stockholder of DBMG, breached their fiduciary duties to members of the plaintiff class. The Complaint also purports to challenge a potential short-form merger based upon plaintiff's expectation that the Company would cash out the remaining public stockholders of DBMG following the completion of the tender offer. The Complaint seeks rescission of the tender offer and/or compensatory damages, as well as attorney's fees and other relief. The defendants filed answers to the Complaint on July 30, 2015. On November 15, 2019, the parties filed definitive documentation in support of a proposed settlement of the action. On January 14, 2020, plaintiff filed an amended complaint restating and elaborating on the claims raised in the Complaint (the "Amended Complaint"). The Amended Complaint seeks compensatory and rescissory damages, as well as attorney's fees and other relief.

On February 13, 2020, the Court held a settlement hearing to consider the proposed settlement and certain objections filed by two current DBMG stockholders. The Court expressed concerns about certain terms of the proposed settlement and the parties requested additional time to evaluate potential modifications to the proposed settlement. On May 8, 2020, the parties filed with the Court a revised settlement agreement for all claims relating to the Amended Complaint (the "Revised Settlement Framework").

The Revised Settlement Framework provides for a settlement payment of \$35.95 per share to a fund for the benefit of the former DBMG stockholders who tendered their shares in the 2014 tender offer other than stockholders who were defendants in the action or their immediate family members, officers of DBMG, or directors or officers of HC2 (the "Tendered Stockholders"). After the filing of the revised settlement papers on May 8, 2020, HC2 determined that the Tendered Stockholders subclass includes approximately 300 more shares than previously reported due to additional detail HC2 received regarding the number of shares excluded from the subclass. This adjustment increases the settlement payment to the Tendered Stockholders by approximately eleven thousand dollars. In total, the proposed settlement payment to the Tendered Stockholders applies to approximately 568,850 shares and totals approximately \$20.4 million. The Revised Settlement Framework provides that the amount received by the Tendered Stockholders will be reduced by the per share amount of any fee award to lead plaintiff's counsel. HC2's D&O insurers have agreed to contribute approximately \$12.34 million of this approximately \$20.4 million settlement payment, and DBMG has agreed to fund the remaining approximately \$8.06 million either through cash on hand or borrowing from a third-party lender.

The Revised Settlement Framework also provides that HC2 will fund two types of payments to the current owners of the 289,902 shares of DBMG common stock not owned by HC2 or its affiliates (the "public DBMG stockholders"). The first payment of \$2.51 per share, or approximately \$0.7 million total, is intended to offset the indirect burden that the public DBMG stockholders arguably bear (by virtue of their approximately 7.52% ownership of DBMG) from DBMG's funding of the approximately \$8.1 million portion of the settlement payment to the Tendered Stockholders. The second payment of \$1.00 per share, or approximately \$0.3 million total, represents consideration for a full release of claims from the public DBMG stockholders related to the action and the implementation of the Revised Settlement Framework. In sum, the Revised Settlement Framework provides that HC2 would fund payments of \$3.51 per share, or approximately \$1.0 million total, to the public DBMG stockholders.

The two DBMG stockholders that objected to the settlement presented at the February 13, 2020 settlement hearing have informed the Court that they are not objecting to the Revised Settlement Framework. To date, no DBMG stockholders have filed objections to the Revised Settlement Framework, and the deadline for such objections has passed.

If approved, the Revised Settlement Framework would result in a global settlement of the action and the certification of a non-opt-out plaintiff class consisting of any and all record and beneficial owners of outstanding shares of DBMG common stock who held such stock at any time during May 12, 2014 through and including the close of business on May 8, 2020, and including, among others, their successors.

The Revised Settlement Framework also provides for a release of claims by the plaintiff class in favor of a broad group of released defendant parties relating to, among other things, the action, the 2014 tender offer, all claims relating to HC2's decision not to close a short-form merger shortly after the 2014 tender offer, and the implementation and funding of the Revised Settlement Framework.

Although the parties are seeking approval of Revised Settlement Framework, there can be no assurance that the Delaware Courts will approve the revised or any other settlement proposed by the parties. If a settlement cannot be reached, the Company believes it has meritorious defenses and intends to vigorously defend this matter.

Non-Operating Corporate

Stockholder Litigation

On April 10, 2020, a purported stockholder of the Company filed a class action complaint in the Delaware Court of Chancery captioned *Tera v. HC2 Holdings Inc., et al.*, C.A. No. 2020-0275-JRS (the “Stockholder Litigation”). The complaint alleged that the Company’s consent revocation materials (i) contain misleading disclosures relating to the Certificates of Designation, (ii) fail to disclose that a majority of the Board may approve the nominees set forth by Percy Rockdale LLC and certain of its affiliates (collectively, “Percy Rockdale”), for purposes of the Certificates of Designation such that the Percy Rockdale nominees would be considered “Continuing Directors” (as defined in the Certificates of Designation) and (iii) inaccurately state that electing the Percy Rockdale nominees will cause a Change of Control (as defined in the Certificates of Designation) under the Certificates of Designation because it will lead to a person or group obtaining the power to elect a majority of the members of the Board. The complaint sought (i) a declaration requiring the Board to approve the Percy Rockdale nominees for purposes of the Certificates of Designation, (ii) a declaration that the Board breached its fiduciary duties by issuing misleading disclosures and (iii) an injunction requiring the Board to issue additional disclosures relating to the Change of Control provisions in the Certificates of Designation. On April 19, 2020, the plaintiff amended his complaint to allege that the Supplement to the Consent Revocation Statement, filed with the SEC on April 17, 2020, contained misleading disclosures relating to the Certificates of Designation. The amended complaint sought, among other remedies, (i) a declaration that the Board breached its fiduciary duties by issuing misleading disclosures; (ii) a declaration that, if a Change of Control could be deemed to occur under the Certificates of Designation, that such Change of Control provisions are invalid and unenforceable under Delaware law; (iii) an injunction requiring the defendants to issue corrective disclosures; and (iv) an order enjoining the Board from relying upon consent revocations received to date. On April 20, 2020, the Court of Chancery granted the plaintiff’s motion for expedited proceedings.

On April 15, 2020, the Board (with Mr. Falcone recusing himself as a non-Independent Director) determined to approve the Percy Rockdale nominees, solely and specifically for the purposes of deeming them Continuing Directors pursuant to the Certificates of Designation, to avoid triggering, and to render inapplicable, such prong of the Change of Control definition. On April 17, 2020 and April 21, 2020, each of the holder of the Series A Preferred Stock and the holder of the Series A-2 Preferred Stock, respectively, and, in each case, entitled to give a waiver, agreed that such holder will not seek to exercise its right to require the Company to redeem the shares of such Series A Preferred Stock or Series A-2 Preferred Stock, as applicable, if such redemption right were to arise as a result of the outcome of the Consent Solicitation based on one of the Change of Control prongs of the Certificate of Designation (which prong may require the Company to make an offer to redeem the Preferred Stock if any person or “group” (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) obtains the power to elect a majority of the members of the Board). Therefore, in light of the foregoing, if the Percy Rockdale nominees became a majority of the Board pursuant to Percy Rockdale’s consent solicitation, the Company would not be required to offer to redeem the shares of the Series A Preferred Stock and the Series A-2 Preferred Stock. On April 23, 2020, the parties agreed that the waiver and additional disclosures, combined with the prior disclosures and approval of Percy Rockdale’s nominees as Continuing Directors, mooted the need for expedition and a preliminary injunction hearing, and the parties informed the court that the plaintiff was withdrawing its request for expedition and a preliminary injunction. On May 14, 2020, the Company announced that it had reached a resolution of Percy Rockdale’s consent solicitation.

On May 6, 2020, the plaintiff filed a motion for an order awarding attorneys’ fees and expenses, requesting a \$2.5 million fee. The plaintiff alleges that the redemption provisions in the Certificates of Designations constitute so-called proxy puts and that defendants used the proxy puts to undermine stockholders’ franchise rights. Briefing on the plaintiff’s motion is complete, and the Delaware Court of Chancery has scheduled oral argument for August 11, 2020. However, the parties may be able to resolve the fee application via a negotiated resolution.

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.

17. Share-based Compensation

The Company granted zero options during the three and six ended June 30, 2020 and 2019, respectively.

Total share-based compensation expense recognized by HC2 and its subsidiaries under all equity compensation arrangements was \$0.3 million and \$1.7 million for the three months ended June 30, 2020 and 2019, respectively.

Total share-based compensation expense recognized by HC2 and its subsidiaries under all equity compensation arrangements was \$1.8 million and \$3.0 million for the six months ended June 30, 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.

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

Restricted Stock

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

	Shares	Weighted Average Grant Date Fair Value
Unvested - December 31, 2019	2,213,775	\$ 5.12
Granted	—	\$ —
Vested	(1,174,170)	\$ 5.05
Forfeited	(450,967)	\$ 6.07
Unvested - June 30, 2020	<u>588,638</u>	<u>\$ 4.55</u>

At June 30, 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 1.0 year.

Stock Options

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

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2019	7,067,592	\$ 6.52
Granted	—	\$ —
Exercised	—	\$ —
Forfeited	(142,503)	\$ 5.45
Expired	(51,745)	\$ 5.48
Outstanding - June 30, 2020	<u>6,873,344</u>	<u>\$ 6.55</u>
Eligible for exercise	<u>6,833,839</u>	<u>\$ 6.56</u>

At June 30, 2020, the intrinsic value and average remaining life of the Company's outstanding options were zero and approximately 2.75 years, and intrinsic value and average remaining life of the Company's exercisable options were zero and approximately 2.8 years.

At June 30, 2020, 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 0.71 years. There are 39,505 unvested stock options expected to vest, with a weighted average remaining life of 4.04 years, a weighted average exercise price of \$5.45, and an intrinsic value of zero.

18. Equity

Series A Preferred Stock and Series A-2 Preferred Stock

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

	June 30, 2020	December 31, 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

Preferred Share Activity

CGI Purchase

On January 11, 2019, CGI purchased 10,000 shares of Series A-2 Preferred Stock, which are convertible into a total of 1,426,534 shares of the Company's common stock, for a total consideration of \$8.3 million. The shares and dividends accrued related to the Series A-2 Preferred Stock owned by CGI are eliminated in consolidation. The shares were purchased at a discount of \$1.7 million, which was recorded within the Preferred dividends, deemed dividends, and repurchase gains line item of the Condensed Consolidated Statements of Operations as a deemed dividend.

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

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 six months ended June 30, 2020, 159,400 and 17,933 shares of the Company's common stock have been issued to Luxor and Corrib, respectively, in conjunction with the Conversion agreement.

The fair value of the Additional Share Consideration was valued by the Company at \$0.4 million on the date of issuance and was recorded within Preferred stock and deemed dividends from conversion line item of the Condensed Consolidated Statements of Operations as a deemed dividend.

Preferred Share Dividends

During the six months ended June 30, 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
Holders of Record Date	March 31, 2020	June 30, 2020
Payment Date	April 15, 2020	July 15, 2020
Total Dividend	\$ 0.2	\$ 0.2

2019

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

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

19. Related Parties

HC2

In January 2015, the Company entered into a services agreement (the "Services Agreement") with Harbinger Capital Partners ("HCP"), a related party of the Company, with respect to the provision of services that may include providing office space and operational support and each party making available their respective employees to provide services as reasonably requested by the other party, subject to any limitations contained in applicable employment agreements and the terms of the Services Agreement. The Company recognized expenses of \$0.8 million and \$0.9 million, and income of \$0.1 million and zero for the three months ended June 30, 2020 and 2019, respectively. The Company recognized expenses of \$1.5 million and \$1.9 million and income of \$0.1 million and \$0.1 million for the six months ended June 30, 2020 and 2019, respectively.

	Three Months Ended June 30,					
	2020			2019		
	Corporate	Other ⁽¹⁾	Total	Corporate	Other ⁽¹⁾	Total
Allocated to HC2 by HCP						
Office space	\$ 0.5	\$ 0.3	\$ 0.8	\$ 0.5	\$ 0.4	\$ 0.9
Administrative salaries and benefits	—	—	—	—	—	—
Other shared overhead	—	—	—	—	—	—
Total Expenses	0.5	0.3	0.8	0.5	0.4	0.9
Charged back to HCP by HC2						
Administrative salaries and benefits	—	—	—	—	—	—
Other shared overhead	0.1	—	0.1	—	—	—
Total Income	0.1	—	0.1	—	—	—
Net related party activity	\$ 0.4	\$ 0.3	\$ 0.7	\$ 0.5	\$ 0.4	\$ 0.9

	Six Months Ended June 30,					
	2020			2019		
	Corporate	Other ⁽¹⁾	Total	Corporate	Other ⁽¹⁾	Total
Allocated to HC2 by HCP						
Office space	\$ 1.0	\$ 0.5	\$ 1.5	\$ 1.2	\$ 0.6	\$ 1.8
Administrative salaries and benefits	—	—	—	0.1	—	0.1
Other shared overhead	—	—	—	—	—	—
Total Expenses	1.0	0.5	1.5	1.3	0.6	1.9
Charged back to HCP by HC2						
Administrative salaries and benefits	—	—	—	—	—	—
Other shared overhead	0.1	—	0.1	0.1	—	0.1
Total Income	0.1	—	0.1	0.1	—	0.1
Net related party activity	\$ 0.9	\$ 0.5	\$ 1.4	\$ 1.2	\$ 0.6	\$ 1.8

⁽¹⁾ Other in the above table represent certain entities within our Broadcasting, 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 will no longer be 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.

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

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenue	\$ —	\$ 1.0	\$ 0.7	\$ 3.0
Operating expenses	\$ —	\$ 0.1	\$ —	\$ 0.7
Interest expense	\$ —	\$ 0.3	\$ 0.1	\$ 0.5

	June 30, 2020	December 31, 2019
Accounts receivable	\$ —	\$ 1.2
Debt 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 \$0.3 million and \$0.7 million in services for the three months ended June 30, 2020 and 2019, and \$1.0 million and \$0.8 million in services for the six months ended June 30, 2020 and 2019.

20. Operating Segment and Related Information

The Company currently has one primary reportable geographic segments - United States. The Company has seven reportable operating segments based on management's organization of the enterprise - Construction, Energy, Telecommunications, Insurance, Life Sciences, Broadcasting, Other, and a Non-operating Corporate segment. All inter-segment revenues are eliminated.

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. In addition, as GMSL is a discontinued operation as of June 30, 2020, all operating results of GMSL have been reclassified to Discontinued operations. This has been reflected in the tables below for both the current and historical periods presented.

The Company's revenue concentrations of 10% and greater are as follows:

	Segment	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Customer A	Telecommunications	*	11.2%	*	11.4%
Customer B	Telecommunications	*	10.0%	*	*

* Less than 10% revenue concentration

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenue				
Construction	\$ 172.3	\$ 195.7	\$ 348.8	\$ 387.8
Energy	10.3	5.5	20.7	10.6
Telecommunications	107.3	189.3	293.7	344.8
Insurance	80.5	82.1	144.3	170.9
Broadcasting	9.5	10.0	19.6	19.8
Eliminations (*)	(2.9)	(3.4)	(5.3)	(5.7)
Total net revenue	<u>\$ 377.0</u>	<u>\$ 479.2</u>	<u>\$ 821.8</u>	<u>\$ 928.2</u>

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and six months ended June 30, 2020 and 2019, inclusive of transactions between entities under common control, which are eliminated or are reclassified in consolidation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) from operations				
Construction	\$ 4.5	\$ 16.2	\$ 7.1	\$ 21.9
Energy	2.2	(0.3)	3.9	(0.7)
Telecommunications	0.2	0.2	0.3	0.8
Insurance	14.2	30.9	1.6	65.3
Life Sciences	(3.5)	(1.7)	(6.7)	(3.6)
Broadcasting	(1.2)	(1.7)	(4.1)	(5.0)
Other	(0.6)	(0.1)	(1.6)	(0.1)
Non-operating Corporate	(8.0)	(6.5)	(17.1)	(13.7)
Eliminations (*)	(2.9)	(3.4)	(5.3)	(5.7)
Total income (loss) from operations	\$ 4.9	\$ 33.6	\$ (21.9)	\$ 59.2

(*) The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and six months ended June 30, 2020 and 2019, inclusive of 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) from operations	\$ 4.9	\$ 33.6	\$ (21.9)	\$ 59.2
Interest expense	(21.4)	(19.1)	(42.7)	(37.9)
Loss on early extinguishment or restructuring of debt	(3.4)	—	(9.2)	—
(Loss) income from equity investees	(0.2)	7.2	(2.7)	1.3
Gain on bargain purchase	—	1.1	—	1.1
Other income (loss)	64.0	(4.8)	66.8	(1.4)
Income (loss) from continuing operations	43.9	18.0	(9.7)	22.3
Income tax expense	(15.4)	(1.1)	(2.8)	(5.1)
Income (loss) from continuing operations	28.5	16.9	(12.5)	17.2
Loss from discontinued operations (including loss on disposal of \$39.3 million)	—	(7.7)	(60.0)	(14.3)
Net income (loss)	28.5	9.2	(72.5)	2.9
Net (income) loss attributable to noncontrolling interest and redeemable noncontrolling interest	(15.4)	0.2	2.5	3.7
Net income (loss) attributable to HC2 Holdings, Inc.	13.1	9.4	(70.0)	6.6
Less: Preferred dividends, deemed dividends and repurchase gains	0.4	0.4	0.8	(0.8)
Net income (loss) attributable to common stock and participating preferred stockholders	\$ 12.7	\$ 9.0	\$ (70.8)	\$ 7.4

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Depreciation and Amortization				
Construction	\$ 2.7	\$ 4.0	\$ 5.3	\$ 7.9
Energy	2.0	1.5	4.1	2.9
Telecommunications	0.1	0.1	0.2	0.2
Insurance (*)	(5.5)	(6.0)	(11.4)	(12.5)
Life Sciences	0.1	0.1	0.1	0.1
Broadcasting	1.7	1.5	3.4	2.9
Total	\$ 1.1	\$ 1.2	\$ 1.7	\$ 1.5

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Capital Expenditures (*)				
Construction	\$ 1.1	\$ 2.8	\$ 3.4	\$ 5.4
Energy	0.6	0.2	1.6	0.3
Insurance	—	—	0.1	0.2
Life Sciences	0.1	—	0.1	—
Broadcasting	3.7	4.7	6.4	5.1
Other	0.1	—	0.1	—
Total	\$ 5.6	\$ 7.7	\$ 11.7	\$ 11.0

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

	June 30, 2020	December 31, 2019
Investments		
Construction	\$ 0.9	\$ 0.9
Insurance	4,446.1	4,423.0
Life Sciences	22.2	22.0
Other	31.1	43.1
Eliminations	(102.1)	(96.9)
Total	\$ 4,398.2	\$ 4,392.1

	June 30, 2020	December 31, 2019
Total Assets		
Construction	\$ 523.0	\$ 530.4
Energy	137.4	142.8
Telecommunications	81.3	89.3
Insurance	5,650.0	5,611.9
Life Sciences	32.8	28.4
Broadcasting	256.6	257.9
Other	37.3	366.3
Non-operating Corporate	15.7	27.2
Eliminations	(100.8)	(95.9)
Total	\$ 6,633.3	\$ 6,958.3

21. Basic and Diluted Income Per Common Share

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

The following potential weighted common shares were excluded from diluted EPS for the three months ended June 30, 2020 due to the antidilutive impact to diluted EPS: 2,168,454 for outstanding warrants to purchase the Company's stock, 2,094,585 for convertible preferred stock, and 12,557,078 for convertible debt. The Company had zero dilutive common share equivalents during the six months ended June 30, 2020 due to the results being a loss from continuing operations and discontinued operations, net of tax.

The following potential weighted common shares were excluded from diluted EPS for the three months ended June 30, 2019 due to the antidilutive impact to diluted EPS: 2,168,454 for outstanding warrants to purchase the Company's stock, 2,088,567 for convertible preferred stock, and 582,422 of unvested restricted stock. The following potential weighted common shares were excluded from diluted EPS for the six months ended June 30, 2019 due to the antidilutive impact to diluted EPS: 2,168,454 for outstanding warrants to purchase the Company's stock, and 486,627 of unvested restricted stock.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) from continuing operations	\$ 28.5	\$ 16.9	\$ (12.5)	\$ 17.2
Income (loss) attributable to noncontrolling interest and redeemable noncontrolling interest	(15.4)	(0.2)	(12.8)	2.2
Income (loss) from continuing operations attributable to the Company	13.1	16.7	(25.3)	19.4
Less: Preferred dividends, deemed dividends and repurchase gains	0.4	0.4	0.8	(0.8)
Income (loss) from continuing operations attributable to HC2 common stockholders	12.7	16.3	(26.1)	20.2
Loss from discontinued operations (including loss on disposal of \$39.3 million)	—	(7.7)	(60.0)	(14.3)
Net income attributable to noncontrolling interest and redeemable noncontrolling interest	—	0.4	15.3	1.5
Loss from discontinued operations, net of tax and noncontrolling interest	—	(7.3)	(44.7)	(12.8)
Net income (loss) attributable to common stock and participating preferred stockholders	<u>\$ 12.7</u>	<u>\$ 9.0</u>	<u>\$ (70.8)</u>	<u>\$ 7.4</u>
Earnings allocable to common shares:				
Participating shares at end of period:				
Weighted-average common stock outstanding	46.8	45.6	46.3	45.2
Unvested restricted stock	0.3	0.6	0.4	0.5
Preferred stock (as-converted basis)	2.1	2.1	2.1	2.2
Total	<u>49.2</u>	<u>48.3</u>	<u>48.8</u>	<u>47.9</u>
Percentage of income (loss) allocated to:				
Common stock	95.1 %	94.5 %	100.0 %	94.4 %
Unvested restricted stock	0.6 %	1.2 %	— %	1.0 %
Preferred stock	4.3 %	4.3 %	— %	4.6 %
Numerator for earnings per share, basic:				
Net income (loss) from continuing operations attributable to common stock, basic	\$ 12.1	\$ 15.4	\$ (26.1)	\$ 19.1
Net loss from discontinued operations attributable to common stock, basic and diluted	\$ —	\$ (6.9)	\$ (44.7)	\$ (12.1)
Net income (loss) attributable to common stock and participating preferred stockholders, basic and diluted	<u>\$ 12.1</u>	<u>\$ 8.5</u>	<u>\$ (70.8)</u>	<u>\$ 7.0</u>
Earnings allocable to common shares, diluted:				
Numerator for earnings per share, diluted				
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	\$ —	\$ (1.4)	\$ —	\$ (2.4)
Net income (loss) from continuing operations attributable to common stock, diluted	\$ 12.1	\$ 14.0	\$ (26.1)	\$ 16.7
Net loss from discontinued operations attributable to common stock, diluted	\$ —	\$ (6.9)	\$ (44.7)	\$ (12.1)
Net income (loss) attributable to common stock and participating preferred stockholders, diluted	<u>\$ 12.1</u>	<u>\$ 7.1</u>	<u>\$ (70.8)</u>	<u>\$ 4.6</u>
Denominator for basic and dilutive earnings per share:				
Weighted average common shares outstanding - basic	46.8	45.6	46.3	45.2
Effect of assumed shares under treasury stock method for stock options and restricted shares and if-converted method for convertible instruments	0.1	12.5	—	14.7
Weighted average common shares outstanding - diluted	<u>46.9</u>	<u>58.1</u>	<u>46.3</u>	<u>59.9</u>
Income (loss) per share - continuing operations				
Basic:	\$ 0.26	\$ 0.34	\$ (0.56)	\$ 0.42
Diluted:	\$ 0.26	\$ 0.24	\$ (0.56)	\$ 0.28
Loss per share - Discontinued operations				
Basic:	\$ —	\$ (0.15)	\$ (0.97)	\$ (0.27)
Diluted:	\$ —	\$ (0.12)	\$ (0.97)	\$ (0.20)
Income (loss) per share - Net income (loss) attributable to participating security holders				
Basic:	\$ 0.26	\$ 0.19	\$ (1.53)	\$ 0.15
Diluted:	\$ 0.26	\$ 0.12	\$ (1.53)	\$ 0.08

22. Subsequent Events

On August 2, 2020, the Company issued a notice of termination, effectively ending the Services Agreement with HCP, a former related party.

On August 6, 2020 the Construction segment paid a cash dividend of \$5.0 million, or \$1.30 per share. HC2 received approximately \$4.5 million of the total dividend payout.

On August 6, 2020 the Energy segment entered into a new credit facility M&T bank. Proceeds from the loan and cash on hand were used to pay down the existing credit facilities with M&T and Pioneer as well as redeem its outstanding \$14.0 million preferred stock, which carried a 14% interest rate. The new credit facility is comprised of a \$57.0 million term loan facility, a \$2.5 million revolving line of credit and an \$8.0 million delayed draw term loan ear-marked for new station build, as well as a \$10.0 million accordion feature.

On August 10, 2020 the Company and MSD PCOF Partners IX, LLC agreed to extend maturity of the 2020 Revolving Credit Agreement to September 1, 2021.

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

You should read the following discussion and analysis of our financial condition and results of operations together with the information in our annual audited Consolidated Financial Statements and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 16, 2020, 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 in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 16, 2020, as well as the section below entitled "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, "HC2" means HC2 Holdings, Inc. and the "Company," "we" and "our" mean HC2 together with its 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 seven operating platforms or reportable segments: Construction ("DBMG"), Energy ("ANG"), Telecommunications ("ICS"), Insurance ("CIG"), Life Sciences ("Pansend"), Broadcasting, 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 reclassification of GMSL'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, 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.
- The restatement of Earnings per share 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.

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

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

Our Operations

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

Seasonality and Cyclical Patterns

Our segments' operations can be highly cyclical and subject to seasonal patterns. Our volume of business in our Construction 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") a 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 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 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 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 rapidly 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 three and six months ended June 30, 2020, the effects of COVID-19 and the related actions undertaken in the U.S. to attempt to control its spread, specifically impact certain of our segments as follows:

Construction

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. DBMG has incurred significant costs related to inefficiency and additional procedures to maintain COVID-19 related safety measures. During the three and six months ended June 30, 2020, \$8.4 million and \$8.8 million 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.

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 June 30, 2020 results reflected in earnings are primarily impacted by the Insurance segment's net unrealized losses on investments of \$17.9 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 \$9.2 million of unrealized gain on fixed maturity securities, a significant improvement as compared to the three months ended March 31, 2020 results, which reflected \$355.5 million of unrealized loss on fixed maturity securities. Both of these were largely attributable to market factors caused by the COVID-19 crisis for each of the three month periods ended March 31, 2020 and June 30, 2020, respectively. Additional future recovery of losses will largely depend upon market reaction to additional COVID-19 stimulus packages, interest rates and timing and manner in which the economy is reopened. The unrealized losses are considered temporary in nature, as we have the ability to hold these securities to maturity.

Broadcasting

As a result of COVID-19, our Broadcasting 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 Broadcasting 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 Broadcasting 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 II-Item 1A-Risk Factors."

Debt Obligations

In March 2020, with the proceeds received from the sale of GMSL, the Company repaid \$15.0 million of its 2019 Revolving Credit Agreement and \$76.9 million of its Senior Secured Notes.

In April 2020 and May 2020, HC2 drew \$10.0 million and \$5.0 million on its 2020 Revolving Credit Agreement, respectively.

In June 2020, with the cash proceeds from the sale of New Saxon's 30% interest in HMN, HC2 redeemed an additional \$50.6 million of its Senior Secured Notes.

Dividends

HC2 received \$0.5 million in dividends from our Telecommunications segment during the six months ended June 30, 2020.

HC2 received \$1.1 million and \$2.9 million in net management fees during the three and six months ended June 30, 2020, respectively.

HC2 received \$13.5 million in dividends from its Construction segment during three and six months ended June 30, 2020. On August 6, 2020 the Construction segment paid a cash dividend of \$5.0 million, or \$1.30 per share. HC2 received approximately \$4.5 million of the total dividend payout.

Separation from Philip A. Falcone

The Company has engaged in ongoing negotiations with Mr. Falcone, the former CEO and Chairman of the Company, regarding his separation. Mr. Falcone rejected the Company's most recent severance offer. In addition, Mr. Falcone made two books and records demands of the Company in his capacity as a director, which the Company, among other reasons, has denied in light of the fact that Mr. Falcone is no longer a director of the Company.

Other

On April 16, 2020, R2 received \$10 million in funding from Huadong Medicine Company Limited as part of Huadong's \$30 million Series B equity investment in R2. These funds will be used to commercialize R2's revolutionary CryoAesthetic technology which promises 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 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 three and six months ended June 30, 2020 as compared to the three and six months ended June 30, 2019.

Results of Operations

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net revenue						
Construction	\$ 172.3	\$ 195.7	\$ (23.4)	\$ 348.8	\$ 387.8	\$ (39.0)
Energy	10.3	5.5	4.8	20.7	10.6	10.1
Telecommunications	107.3	189.3	(82.0)	293.7	344.8	(51.1)
Insurance	80.5	82.1	(1.6)	144.3	170.9	(26.6)
Broadcasting	9.5	10.0	(0.5)	19.6	19.8	(0.2)
Eliminations ⁽¹⁾	(2.9)	(3.4)	0.5	(5.3)	(5.7)	0.4
Total net revenue	377.0	479.2	(102.2)	821.8	928.2	(106.4)
Income (loss) from operations						
Construction	4.5	16.2	(11.7)	7.1	21.9	(14.8)
Energy	2.2	(0.3)	2.5	3.9	(0.7)	4.6
Telecommunications	0.2	0.2	—	0.3	0.8	(0.5)
Insurance	14.2	30.9	(16.7)	1.6	65.3	(63.7)
Life Sciences	(3.5)	(1.7)	(1.8)	(6.7)	(3.6)	(3.1)
Broadcasting	(1.2)	(1.7)	0.5	(4.1)	(5.0)	0.9
Other	(0.6)	(0.1)	(0.5)	(1.6)	(0.1)	(1.5)
Non-operating Corporate	(8.0)	(6.5)	(1.5)	(17.1)	(13.7)	(3.4)
Eliminations ⁽¹⁾	(2.9)	(3.4)	0.5	(5.3)	(5.7)	0.4
Total income (loss) from operations	4.9	33.6	(28.7)	(21.9)	59.2	(81.1)
Interest expense	(21.4)	(19.1)	(2.3)	(42.7)	(37.9)	(4.8)
Loss on early extinguishment or restructuring of debt	(3.4)	—	(3.4)	(9.2)	—	(9.2)
(Loss) income from equity investees	(0.2)	7.2	(7.4)	(2.7)	1.3	(4.0)
Gain on bargain purchase	—	1.1	(1.1)	—	1.1	(1.1)
Other income (loss)	64.0	(4.8)	68.8	66.8	(1.4)	68.2
Income (loss) from continuing operations	43.9	18.0	25.9	(9.7)	22.3	(32.0)
Income tax expense	(15.4)	(1.1)	(14.3)	(2.8)	(5.1)	2.3
Income (loss) from continuing operations	28.5	16.9	11.6	(12.5)	17.2	(29.7)
Loss from discontinued operations (including loss on disposal of \$39.3 million)	—	(7.7)	7.7	(60.0)	(14.3)	(45.7)
Net income (loss)	28.5	9.2	19.3	(72.5)	2.9	(75.4)
Net (income) loss attributable to noncontrolling interest and redeemable noncontrolling interest	(15.4)	0.2	(15.6)	2.5	3.7	(1.2)

Net income (loss) attributable to HC2 Holdings, Inc.	13.1	9.4	3.7	(70.0)	6.6	(76.6)
Less: Preferred dividends, deemed dividends, and repurchase gains	0.4	0.4	—	0.8	(0.8)	1.6
Net income (loss) attributable to common stock and participating preferred stockholders	\$ 12.7	\$ 9.0	\$ 3.7	\$ (70.8)	\$ 7.4	\$ (78.2)

⁽¹⁾The Insurance segment results are inclusive of realized and unrealized gains and net investment income for the three and six months ended June 30, 2020 and 2019, inclusive of transactions between entities under common control, which are eliminated or are reclassified in consolidation.

Net revenue: Net revenue for the three months ended June 30, 2020 decreased \$102.2 million to \$377.0 million from \$479.2 million for the three months ended June 30, 2019. The decrease in revenue was driven by our Telecommunications segment, which can be attributed to changes in customer mix and fluctuations in wholesale traffic volumes, and our Construction segment primarily driven by lower revenues from our structural steel fabrication and erection business. These were partially offset by increases at our Energy segment due to the Alternative Fuels Tax Credit ("AFTC") revenue related to CNG sales recognized in the current period and the acquisition of the ampCNG stations.

Net revenue for the six months ended June 30, 2020 decreased \$106.4 million to \$821.8 million from \$928.2 million for the six months ended June 30, 2019. The decrease in revenue was driven by our Telecommunications segment, which can be attributed to changes in customer mix and fluctuations in wholesale traffic volumes, and our Construction segment primarily driven by lower revenues from our structural steel fabrication and erection business. The decrease is also due to our Insurance segment, net of eliminations, largely driven by unrealized losses resulting from unfavorable market movements in values for preferred stock holdings. These were partially offset by increases at our Energy segment due to AFTC revenue related to CNG sales recognized in the current period and the acquisition of the ampCNG stations.

Income (loss) from operations: Income from operations for the three months ended June 30, 2020 decreased \$28.7 million to \$4.9 million from \$33.6 million for the three months ended June 30, 2019. The decrease in operations was primarily driven by our Insurance segment due to an increase in policy benefits, changes in reserves, and commissions due to non-recurring favorable claims activity recognized in the comparable period along with unfavorable claims activity and reserves development in the current quarter, and our Construction segment primarily due to lower revenues from our structural steel fabrication and erection business and COVID-19 related costs.

Income (loss) from operations for the six months ended June 30, 2020 decreased \$81.1 million to a loss of \$21.9 million from income of \$59.2 million for the six months ended June 30, 2019. The decrease was primarily driven by our Insurance segment due to an increase in policy benefits, changes in reserves, and commissions due to non-recurring favorable claims activity recognized in the comparable period along with unfavorable claims activity and reserves development in the first half of 2020. In addition there was a decline in revenues, due to unrealized losses from unfavorable market movements in preferred stock holdings. The decrease is also attributable to our Construction segment due to lower revenues from our structural steel fabrication and erection business.

Interest expense: Interest expense for the three months ended June 30, 2020 increased \$2.3 million to \$21.4 million from \$19.1 million for the three months ended June 30, 2019. Interest expense for the six months ended June 30, 2020 increased \$4.8 million to \$42.7 million from \$37.9 million for the six months ended June 30, 2019. The increases were attributable to an increase in the aggregate principal amount of debt at our Broadcasting and Energy segments.

Loss on early extinguishment or restructuring of debt: Loss on early extinguishment or restructuring of debt for the three months ended June 30, 2020 was \$3.4 million. This was driven by the 4.5% redemption premium on the \$50.6 million redemption of the Senior Secured Notes and the write-off of deferred financing costs and original issuance discount.

Loss on early extinguishment or restructuring of debt for the six months ended June 30, 2020 was \$9.2 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 \$76.9 million redemption of the Senior Secured Notes at a 4.5% premium in the first quarter of 2020 and the \$50.6 million redemption of the Senior Secured Notes at a 4.5% premium in the second quarter of 2020.

(Loss) income from equity investees: (Loss) income from equity investees for the three months ended June 30, 2020 decreased \$7.4 million to a loss of \$0.2 million from income of \$7.2 million for the three months ended June 30, 2019. The decrease was driven by lower profit for the HMN investment, generally attributable to the timing of turnkey project work.

(Loss) income from equity investees for the six months ended June 30, 2020 decreased \$4.0 million to a loss of \$2.7 million from income of \$1.3 million for the six months ended June 30, 2019. The decrease was driven by an increase in losses for the HMN investment, which is generally attributable to the timing of turnkey project work.

Other income (loss): Other income (loss) for the three months ended June 30, 2020 increased \$68.8 million to a gain of \$64.0 million from a loss of \$4.8 million for the three months ended June 30, 2019. Other income (loss) for the six months ended June 30, 2020 increased \$68.2 million to a gain of \$66.8 million from a loss of \$1.4 million for the six months ended June 30, 2020. The increases were primarily driven by the gain recognized on the First HMN Sale partially offset by the loss recognized on the Convertible Note embedded conversion feature.

Income tax expense: Income tax expense was an expense of \$15.4 million and \$1.1 million for the three months ended June 30, 2020 and 2019, respectively. The income tax expense recorded for the three months ended June 30, 2020 primarily relates to tax expense incurred in China from the partial sale of HMN and projected expense as calculated under ASC 740 for tax paying entities, primarily the Insurance segment, which is no longer in a valuation allowance. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration. The income tax expense recorded for the three months ended June 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income.

Income tax expense was an expense of \$2.8 million and \$5.1 million for the six months ended June 30, 2020 and 2019, respectively. The income tax expense recorded for the six months ended June 30, 2020 primarily relates to tax expense incurred in China from the partial sale of HMN and projected expense as calculated under ASC 740 for tax paying entities, primarily the Insurance segment, which is no longer in a valuation allowance, mostly 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. Additionally, the tax benefits associated with losses generated by the HC2 Holdings, Inc. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than-not that the losses will be utilized prior to expiration. The income tax expense recorded for the six months ended June 30, 2019 relates to the projected expense as calculated under ASC 740 for taxpaying entities offset by a benefit from the release of the valuation allowance of the Insurance segment due to an increase in current year income.

Loss from discontinued operations (including loss on disposal of \$39.3 million): Loss from discontinued operations for the three months ended June 30, 2020 decreased \$7.7 million to zero from \$7.7 million for the three months ended June 30, 2019. Loss from discontinued operations for the six months ended June 30, 2020 increased \$45.7 million to \$60.0 million from \$14.3 million for the six months ended June 30, 2019. The increase in loss was largely driven by the \$39.3 million loss on the sale of GMSL in the first quarter of 2020. Also contributing to the increase in loss was a \$9.0 million increase in net loss from the discontinued entity, GMSL. The company did not recognize a tax benefit in discontinued operations from the loss on sale of GMSL and its subsidiaries due to the application of the UK Substantial Shareholder Exception, which exempt capital gains and losses from taxation.

Preferred dividends, deemed dividends, and repurchase gains: Preferred dividends, and deemed dividends, and repurchase gains for the three months ended June 30, 2020 remained unchanged from the three months ended June 30, 2019 at loss of \$0.4 million. Preferred dividends, and deemed dividends, and repurchase gains for the six months ended June 30, 2020 decreased \$1.6 million to a loss of \$0.8 million compared to a gain of \$0.8 million for the six months ended June 30, 2019. The decrease was largely driven by the Insurance segment's 2019 purchase of 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 Condensed Consolidated Financial Statements, other operating (income) expense includes (i) (gain) loss on sale or disposal of assets, (ii) lease termination costs, (iii) asset impairment expense, (iv) accretion of asset retirement obligations, and (v) FCC reimbursements. Each table summarizes the results of operations of our operating segments and compares the amount of the change between the periods presented (in millions).

Construction Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net revenue	\$ 172.3	\$ 195.7	\$ (23.4)	\$ 348.8	\$ 387.8	\$ (39.0)
Cost of revenue	146.6	155.3	(8.7)	297.8	318.1	(20.3)
Selling, general and administrative	18.6	20.2	(1.6)	38.5	40.0	(1.5)
Depreciation and amortization	2.7	4.0	(1.3)	5.3	7.9	(2.6)
Other operating (income) expense	(0.1)	—	(0.1)	0.1	(0.1)	0.2
Income from operations	\$ 4.5	\$ 16.2	\$ (11.7)	\$ 7.1	\$ 21.9	\$ (14.8)

Net revenue: Net revenue from our Construction segment for the three months ended June 30, 2020 decreased \$23.4 million to \$172.3 million from \$195.7 million for the three months ended June 30, 2019. Net revenue from our Construction segment for the six months ended June 30, 2020 decreased \$39.0 million to \$348.8 million from \$387.8 million for the six months ended June 30, 2019. The decreases were 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 and lower revenues from our construction modeling and detailing business.

Cost of revenue: Cost of revenue from our Construction segment for the three months ended June 30, 2020 decreased \$8.7 million to \$146.6 million from \$155.3 million for the three months ended June 30, 2019. Cost of revenue from our Construction segment for the six months ended June 30, 2020 decreased \$20.3 million to \$297.8 million from \$318.1 million for the six months ended June 30, 2019. The decreases were 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 from our Construction segment for the three months ended June 30, 2020 decreased \$1.6 million to \$18.6 million from \$20.2 million for the three months ended June 30, 2019. Selling, general and administrative from our Construction segment for the six months ended June 30, 2020 decreased \$1.5 million to \$38.5 million from \$40.0 million for the six months ended June 30, 2019. The decreases were primarily driven by lower travel expenses, acquisition costs, and bonus expense in the current period, partially offset by higher costs incurred due to COVID-19 pandemic.

Depreciation and amortization: Depreciation and amortization from our Construction segment for the three months ended June 30, 2020 decreased \$1.3 million to \$2.7 million from \$4.0 million for the three months ended June 30, 2019. Depreciation and amortization from our Construction segment for the six months ended June 30, 2020 decreased \$2.6 million to \$5.3 million from \$7.9 million for the six months ended June 30, 2019. The decreases were primarily related to the full depreciation and amortization of assets that took place subsequent to the comparable periods.

Energy Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net revenue	\$ 10.3	\$ 5.5	\$ 4.8	\$ 20.7	\$ 10.6	\$ 10.1
Cost of revenue	4.7	3.3	1.4	9.7	6.5	3.2
Selling, general and administrative	1.4	1.0	0.4	3.0	1.9	1.1
Depreciation and amortization	2.0	1.5	0.5	4.1	2.9	1.2
Income (loss) from operations	\$ 2.2	\$ (0.3)	\$ 2.5	\$ 3.9	\$ (0.7)	\$ 4.6

Net revenue: Net revenue from our Energy segment for the three months ended June 30, 2020 increased \$4.8 million to \$10.3 million from \$5.5 million for the three months ended June 30, 2019. Net revenue from our Energy segment for the six months ended June 30, 2020 increased \$10.1 million to \$20.7 million from \$10.6 million for the six months ended June 30, 2019. The increases were primarily driven by higher volume-related revenues attributable to the inclusion of the acquired ampCNG stations, which was acquired in June 2019. Additionally, the increases were driven by AFTC revenue related to CNG sales recognized in the current period. The AFTC had not yet been renewed for 2019 in the comparable period.

Cost of revenue: Cost of revenue from our Energy segment for the three months ended June 30, 2020 increased \$1.4 million to \$4.7 million from \$3.3 million for the three months ended June 30, 2019. Cost of revenue from our Energy segment for the six months ended June 30, 2020 increased \$3.2 million to \$9.7 million from \$6.5 million for the six months ended June 30, 2019. The increases were due to the overall growth in volume of gasoline gallons delivered and higher commodity and utility costs driven by the acquisition of ampCNG stations.

Selling, general and administrative: Selling, general and administrative expenses from our Energy segment for the three months ended June 30, 2020 increased \$0.4 million to \$1.4 million from \$1.0 million for the three months ended June 30, 2019. Selling, general and administrative expenses from our Energy segment for the six months ended June 30, 2020 increased \$1.1 million to \$3.0 million from \$1.9 million for the six months ended June 30, 2019. The increases were driven by the overall growth of the Energy segment as it continues to increase its national footprint.

Depreciation and amortization: Depreciation and amortization from our Energy segment for the three months ended June 30, 2020 increased \$0.5 million to \$2.0 million from \$1.5 million for the three months ended June 30, 2019. Depreciation and amortization from our Energy segment for the six months ended June 30, 2020 increased \$1.2 million to \$4.1 million from \$2.9 million for the six months ended June 30, 2019. The increases were due to additional depreciation and amortization from the acquisition of ampCNG stations completed in June 2019.

Telecommunications Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net revenue	\$ 107.3	\$ 189.3	\$ (82.0)	\$ 293.7	\$ 344.8	\$ (51.1)
Cost of revenue	105.3	186.4	(81.1)	289.6	338.7	(49.1)
Selling, general and administrative	1.7	2.1	(0.4)	3.6	4.6	(1.0)
Depreciation and amortization	0.1	0.1	—	0.2	0.2	—
Other operating expense	—	0.5	(0.5)	—	0.5	(0.5)
Income from operations	\$ 0.2	\$ 0.2	\$ —	\$ 0.3	\$ 0.8	\$ (0.5)

Net revenue: Net revenue from our Telecommunications segment for the three months ended June 30, 2020 decreased \$82.0 million to \$107.3 million from \$189.3 million for the three months ended June 30, 2019. Net revenue from our Telecommunications segment for the six months ended June 30, 2020 decreased \$51.1 million to \$293.7 million from \$344.8 million for the six months ended June 30, 2019. The decreases can be attributed to changes in our customer mix and fluctuations in wholesale traffic volumes, which can result in variability across periods.

Cost of revenue: Cost of revenue from our Telecommunications segment for the three months ended June 30, 2020 decreased \$81.1 million to \$105.3 million from \$186.4 million for the three months ended June 30, 2019. Cost of revenue from our Telecommunications segment for the six months ended June 30, 2020 decreased \$49.1 million to \$289.6 million from \$338.7 million for the six months ended June 30, 2019. The decreases were directly correlated to the fluctuations in wholesale voice termination volumes, in addition to a slight reduction in margin mix attributed to market pressures on call termination rates.

Selling, general and administrative: Selling, general and administrative expenses from our Telecommunications segment for the three months ended June 30, 2020 decreased \$0.4 million to \$1.7 million from \$2.1 million for the three months ended June 30, 2019. Selling, general and administrative expenses from our Telecommunications segment for the six months ended June 30, 2020 decreased \$1.0 million to \$3.6 million from \$4.6 million for the six months ended June 30, 2019. The decreases were primarily due to a decrease in compensation expense due to a lower headcount.

Other operating expense: Other operating expense expenses from our Telecommunications segment for the three and six months ended June 30, 2020 decreased \$0.5 million to zero from \$0.5 million for the three and six months ended June 30, 2019. The decreases were driven by impairment of goodwill in the comparable period as a result of declining performance at the segment.

Insurance Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Life, accident and health earned premiums, net	\$ 29.7	\$ 30.1	\$ (0.4)	\$ 58.2	\$ 59.9	\$ (1.7)
Net investment income	51.2	52.5	(1.3)	105.5	105.5	—
Net realized and unrealized gains (losses) on investments	(0.4)	(0.5)	0.1	(19.4)	5.5	(24.9)
Net revenue	80.5	82.1	(1.6)	144.3	170.9	(26.6)
Policy benefits, changes in reserves, and commissions	63.0	48.0	15.0	135.4	100.7	34.7
Selling, general and administrative	8.8	9.2	(0.4)	18.7	17.4	1.3
Depreciation and amortization	(5.5)	(6.0)	0.5	(11.4)	(12.5)	1.1
Income from operations ⁽¹⁾	\$ 14.2	\$ 30.9	\$ (16.7)	\$ 1.6	\$ 65.3	\$ (63.7)

⁽¹⁾The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and six months ended June 30, 2020 and 2019, inclusive of 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 three months ended June 30, 2020 decreased \$0.4 million to \$29.7 million from \$30.1 million for the three months ended June 30, 2019. The decrease is due to run-off of the closed blocks of business, partially offset by an increase in KIC LTC premiums from rate increases, outpacing terminations on this block.

Life, accident and health earned premiums, net from our Insurance segment for the six months ended June 30, 2020 decreased \$1.7 million to \$58.2 million from \$59.9 million for the six months ended June 30, 2019. The decrease was primarily related to run-off of the closed blocks of business.

Net investment income: Net investment income from our Insurance segment for the three months ended June 30, 2020 decreased \$1.3 million to \$51.2 million from \$52.5 million for the three months ended June 30, 2019. The decrease was due to decreased holdings in preferred stocks and short term investments, largely offset from an increase in bonds due to increased holdings.

Net realized and unrealized gains (losses) on investments: Net realized and unrealized gains (losses) on investments from our Insurance segment for the six months ended June 30, 2020 decreased \$24.9 million to a loss of \$19.4 million from a gain of \$5.5 million for the six months ended June 30, 2019. The decrease was driven by unfavorable market movements in common and preferred stocks driven by interest rate reductions due to the COVID-19 pandemic.

Policy benefits, changes in reserves, and commissions: Policy benefits, changes in reserves, and commissions from our Insurance segment for the three months ended June 30, 2020 increased \$15.0 million to \$63.0 million from \$48.0 million for the three months ended June 30, 2019. Policy benefits, changes in reserves, and commissions from our Insurance segment for the six months ended June 30, 2020 increased \$34.7 million to \$135.4 million from \$100.7 million for the six months ended June 30, 2019. The increases were due to non-recurring favorable claims activity recognized in the comparable period primarily driven by an increase in contingent non-forfeiture option activity as a result of in-force rate actions approved and implemented and unfavorable claims activity and reserves development in the first half of 2020.

Selling, general and administrative: Selling, general and administrative expenses from our Insurance segment for the three months ended June 30, 2020 decreased \$0.4 million to \$8.8 million from \$9.2 million for the three months ended June 30, 2019. Selling, general and administrative expenses from our Insurance segment for the six months ended June 30, 2020 increased \$1.3 million to \$18.7 million from \$17.4 million for the six months ended June 30, 2019. The increases were driven by increases in miscellaneous software expenses, legal expenses, additional premium taxes, and third party management fees.

Depreciation and amortization: Depreciation and amortization from our Insurance segment for the three months ended June 30, 2020 decreased \$0.5 million to \$5.5 million from \$6.0 million for the three months ended June 30, 2019. Depreciation and amortization from our Insurance segment for the six months ended June 30, 2020 decreased \$1.1 million to \$11.4 million from \$12.5 million for the six months ended June 30, 2019. The decreases were driven by a reduction in negative VOBA amortization largely due to lower policy terminations for the LTC policies acquired in 2018.

Life Sciences Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Selling, general and administrative	\$ 3.4	\$ 1.6	\$ 1.8	\$ 6.6	\$ 3.5	\$ 3.1
Depreciation and amortization	0.1	0.1	—	0.1	0.1	—
Loss from operations	\$ (3.5)	\$ (1.7)	\$ (1.8)	\$ (6.7)	\$ (3.6)	\$ (3.1)

Selling, general and administrative: Selling, general and administrative expenses from our Life Sciences segment for the three months ended June 30, 2020 increased \$1.8 million to \$3.4 million from \$1.6 million for the three months ended June 30, 2019. Selling, general and administrative expenses from our Life Sciences segment for the six months ended June 30, 2020 increased \$3.1 million to \$6.6 million from \$3.5 million for the six months ended June 30, 2019. The increases were driven by higher expenses at R2 Technologies, which increased spending from the comparable period to ramp up efforts to achieve commercialization of its products.

Broadcasting

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net revenue	\$ 9.5	\$ 10.0	\$ (0.5)	\$ 19.6	\$ 19.8	\$ (0.2)
Cost of revenue	5.5	5.6	(0.1)	11.1	11.8	(0.7)
Selling, general and administrative	5.6	5.6	—	11.3	12.0	(0.7)
Depreciation and amortization	1.7	1.5	0.2	3.4	2.9	0.5
Other operating income	(2.1)	(1.0)	(1.1)	(2.1)	(1.9)	(0.2)
Loss from operations	\$ (1.2)	\$ (1.7)	\$ 0.5	\$ (4.1)	\$ (5.0)	\$ 0.9

Net revenue: Net revenue from our Broadcasting segment for the three months ended June 30, 2020 decreased \$0.5 million to \$9.5 million from \$10.0 million for the three months ended June 30, 2019. Net revenue from our Broadcasting segment for the six months ended June 30, 2020 decreased \$0.2 million to \$19.6 million from \$19.8 million for the six months ended June 30, 2019. The decreases were 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 Broadcasting segment grew the number of operating stations and launched new customers across its broadcast platform.

Cost of revenue: Cost of revenue from our Broadcasting segment for the six months ended June 30, 2020 decreased \$0.7 million to \$11.1 million from \$11.8 million for the six months ended June 30, 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 Broadcasting segment for the six months ended June 30, 2020 decreased \$0.7 million to \$11.3 million from \$12.0 million for the six months ended June 30, 2019. The decrease was primarily due to lower stock-based compensation, legal and other overhead expenses.

Depreciation and amortization: Depreciation and amortization from our Broadcasting segment for the three months ended June 30, 2020 increased \$0.2 million to \$1.7 million from \$1.5 million for the three months ended June 30, 2019. Depreciation and amortization from our Broadcasting segment for the six months ended June 30, 2020 increased \$0.5 million to \$3.4 million from \$2.9 million for the six months ended June 30, 2019. The increases were driven by additional amortization of fixed assets at new stations which were acquired subsequent to the comparable period.

Other operating income: Other operating income from our Broadcasting segment for the three months ended June 30, 2020 increased \$1.1 million to \$2.1 million from \$1.0 million for the three months ended June 30, 2019. Other operating income from our Broadcasting segment for the six months ended June 30, 2020 increased \$0.2 million to \$2.1 million from \$1.9 million for the six months ended June 30, 2019. The changes were primarily due to receipt of FCC reimbursements.

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Selling, general and administrative	\$ 0.6	\$ —	\$ 0.6	\$ 1.6	\$ —	\$ 1.6
Other operating (income) expense	—	0.1	(0.1)	—	0.1	(0.1)
Loss from operations	\$ (0.6)	\$ (0.1)	\$ (0.5)	\$ (1.6)	\$ (0.1)	\$ (1.5)

Selling, general and administrative: Selling, general and administrative expenses from our Other segment for the three months ended June 30, 2020 increased \$0.6 million to \$0.6 million from zero for the three months ended June 30, 2019. Selling, general and administrative expenses from our Other segment for the six months ended June 30, 2020 increased \$1.6 million to \$1.6 million from zero for the six months ended June 30, 2019. The increases were predominantly driven by costs associated with the sale of HMN, which closed during the second quarter of 2020.

Non-operating Corporate

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Selling, general and administrative	\$ 8.0	\$ 6.5	\$ 1.5	\$ 17.1	\$ 13.7	\$ 3.4
Loss from operations	\$ (8.0)	\$ (6.5)	\$ (1.5)	\$ (17.1)	\$ (13.7)	\$ (3.4)

Selling, general and administrative: Selling, general and administrative expenses from our Non-operating Corporate segment for the three months ended June 30, 2020 increased \$1.5 million to \$8.0 million from \$6.5 million for the three months ended June 30, 2019. Selling, general and administrative expenses from our Non-operating Corporate segment for the six months ended June 30, 2020 increased \$3.4 million to \$17.1 million from \$13.7 million for the six months ended June 30, 2019. The increases were driven by legal costs incurred associated with the consent revocation, acquisition costs, and the annual stockholder meeting related to the current board solicitation matter with certain stockholders of the Company. This was partially offset by a decrease in bonus, stock compensation expense and overhead costs in the current period.

Income (loss) from Equity Investees

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Life Sciences	\$ (1.1)	\$ (0.2)	\$ (0.9)	\$ (2.1)	\$ (1.3)	\$ (0.8)
Other	0.9	7.4	(6.5)	(0.6)	2.6	(3.2)
Loss from equity investees	\$ (0.2)	\$ 7.2	\$ (7.4)	\$ (2.7)	\$ 1.3	\$ (4.0)

Life Sciences: Loss from equity investees within our Life Sciences segment for the three months ended June 30, 2020 increased \$0.9 million to \$1.1 million from \$0.2 million for the three months ended June 30, 2019. Loss from equity investees within our Life Sciences segment for the six months ended June 30, 2020 increased \$0.8 million to \$2.1 million from \$1.3 million for the six months ended June 30, 2019. The increases in losses were largely due to higher equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials.

Other: Income (loss) from equity investees within our Other segment for the three months ended June 30, 2020 decreased \$6.5 million to income of \$0.9 million from income of \$7.4 million for the three months ended June 30, 2019. Income (loss) from equity investees within our Other segment for the six months ended June 30, 2020 decreased \$3.2 million to a loss of \$0.6 million from income \$2.6 million for the six months ended June 30, 2019. The decrease was driven by the equity investment in HMN, as the joint venture produced lower profits than in the prior periods, which is generally attributable to timing of turnkey project work, and a reduction in ownership as a result of the partial sale 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; 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.

To help our board, management and investors assess the impact of COVID-19 pandemic on our results of operations, we are excluding the impacts of COVID-19 response initiatives for the cost of personal protective equipment distributed to employees, cleaning and sanitization equipment and procedures, and additional overhead costs to maintain proper social distancing from Adjusted EBITDA. Our board and management find the exclusion of the impact of these COVID-19 response initiatives from Adjusted EBITDA to be useful because it allows us and our investors to assess the impact of these response initiatives on our results of operations.

(in millions)

	Three Months Ended June 30, 2020															
	Core Operating Subsidiaries			Early Stage & Other			Other and Eliminations	Non-operating Corporate	HC2							
	Construction	Energy	Telecom	Life Sciences	Broadcasting											
Net income attributable to HC2 Holdings, Inc.									\$	13.1						
Less: Net income attributable to HC2 Holdings Insurance segment										11.4						
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment										(1.5)						
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$	1.6	\$	0.4	\$	(0.1)	\$	(1.2)	\$	(4.7)	\$	46.1	\$	(38.9)	\$	3.2
Adjustments to reconcile net income (loss) to Adjusted EBITDA:																
Depreciation and amortization		2.7		2.0		0.1		0.1		1.7		—		—		6.6
Depreciation and amortization (included in cost of revenue)		2.3		—		—		—		—		—		—		2.3
Other operating (income) expenses		(0.1)		—		—		—		(2.1)		—		—		(2.2)
Interest expense		2.2		1.2		—		—		3.5		—		14.6		21.5
Other (income) expense, net		(0.1)		0.5		0.1		(2.3)		1.3		(70.7)		8.4		(62.8)
Loss on early extinguishment of debt		—		—		—		—		—		—		3.4		3.4
Income tax (benefit) expense		0.9		—		—		—		—		7.3		4.4		12.6
Noncontrolling interest		0.1		0.1		—		(1.2)		(1.3)		17.7		—		15.4
Bonus to be settled in equity		—		—		—		—		—		—		(0.4)		(0.4)
Share-based payment expense		—		—		—		0.1		0.1		—		0.1		0.3
Non-recurring items		0.9		—		—		—		—		—		3.8		4.7
Covid-19 Costs		8.4		—		—		—		—		—		—		8.4
Acquisition and disposition costs		0.2		—		0.1		—		0.4		0.5		1.0		2.2
Adjusted EBITDA	\$	19.1	\$	4.2	\$	0.2	\$	(4.5)	\$	(1.1)	\$	0.9	\$	(3.6)	\$	15.2
Total Core Operating Subsidiaries	\$	23.5														

(in millions)

	Three Months Ended June 30, 2019															
	Core Operating Subsidiaries			Early Stage & Other			Other and Eliminations	Non-operating Corporate	HC2							
	Construction	Energy	Telecom	Life Sciences	Broadcasting											
Net income attributable to HC2 Holdings, Inc.									\$	9.4						
Less: Net income attributable to HC2 Holdings Insurance segment										30.3						
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment										(3.2)						
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$	8.9	\$	(0.7)	\$	0.4	\$	(1.4)	\$	(3.5)	\$	1.1	\$	(22.5)	\$	(17.7)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:																
Depreciation and amortization		4.0		1.5		0.1		0.1		1.5		—		—		7.2
Depreciation and amortization (included in cost of revenue)		2.4		—		—		—		—		—		—		2.4
Other operating (income) expenses		—		0.1		0.5		—		(1.0)		—		—		(0.4)
Interest expense		2.2		0.5		—		—		2.3		—		14.5		19.5
Net loss (gain) on contingent consideration		—		—		(0.2)		—		—		—		—		(0.2)
Other (income) expense, net		0.2		0.1		—		(0.1)		0.3		0.6		3.7		4.8
Income tax (benefit) expense		4.1		—		—		—		0.1		—		(4.8)		(0.6)
Noncontrolling interest		0.8		(0.3)		—		(0.5)		(1.0)		0.8		—		(0.2)
Share-based payment expense		—		—		—		0.1		0.2		—		1.4		1.7
Discontinued operations		—		—		—		—		—		4.9		2.8		7.7
Non-recurring items		—		—		—		—		—		—		—		—
Acquisition and disposition costs		0.5		0.1		—		—		0.2		—		0.5		1.3
Adjusted EBITDA	\$	23.1	\$	1.3	\$	0.8	\$	(1.8)	\$	(0.9)	\$	7.4	\$	(4.4)	\$	25.5
Total Core Operating Subsidiaries	\$	25.2														

Construction: Net income (loss) from our Construction segment for the three months ended June 30, 2020 decreased by \$7.3 million to income of \$1.6 million from income of \$8.9 million for the three months ended June 30, 2019. Adjusted EBITDA from our Construction segment for the three months ended June 30, 2020 decreased \$4.0 million to \$19.1 million from \$23.1 million for the three months ended June 30, 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.

Energy: Net income (loss) from our Energy segment for the three months ended June 30, 2020 increased by \$1.1 million to income of \$0.4 million from a loss of \$0.7 million for the three months ended June 30, 2019. Adjusted EBITDA from our Energy segment for the three months ended June 30, 2020 increased \$2.9 million to \$4.2 million from \$1.3 million for the three months ended June 30, 2019. The increase in Adjusted EBITDA was primarily driven by higher volume-related revenues from the acquisition of ampCNG stations in June 2019 and the AFTC recognized in the current period which had not yet been renewed in the comparable period. Partially offsetting these increases were higher selling, general and administrative expenses as a result of the acquisition of the ampCNG stations.

Telecommunications: Net income (loss) from our Telecommunications segment for the three months ended June 30, 2020 decreased by \$0.5 million to a loss of \$0.1 million from income of \$0.4 million for the three months ended June 30, 2019. Adjusted EBITDA from our Telecommunications segment for the three months ended June 30, 2020 decreased \$0.6 million to \$0.2 million from \$0.8 million for the three months ended June 30, 2019. The decrease in Adjusted EBITDA was primarily due to a decline in the contracting of call termination margin as a result of the continued decline in the international long distance market, partially offset by a decrease in compensation expense due to headcount decreases.

Life Sciences: Net loss from our Life Sciences segment for the three months ended June 30, 2020 decreased \$0.2 million to a loss of \$1.2 million from a loss of \$1.4 million for the three months ended June 30, 2019. Adjusted EBITDA loss from our Life Sciences segment for the three months ended June 30, 2020 increased \$2.7 million to \$4.5 million from \$1.8 million for the three months ended June 30, 2019. The increase in Adjusted EBITDA loss was primarily driven by higher expenses at R2 Technologies, which increased spending from the comparable period to ramp up efforts to achieve commercialization of its products.

Broadcasting: Net loss from our Broadcasting segment for the three months ended June 30, 2020 increased \$1.2 million to \$4.7 million from \$3.5 million for the three months ended June 30, 2019. Adjusted EBITDA loss from our Broadcasting segment for the three months ended June 30, 2020 increased \$0.2 million to \$1.1 million from \$0.9 million for the three months ended June 30, 2019.

Other and Eliminations: Net income from our Other and Eliminations segment for the three months ended June 30, 2020 increased \$45.0 million to \$46.1 million from \$1.1 million for the three months ended June 30, 2019. Adjusted EBITDA from our Other and Eliminations segment for the three months ended June 30, 2020 decreased \$6.5 million to \$0.9 million from \$7.4 million for the three months ended June 30, 2019. The decrease in 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.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the three months ended June 30, 2020 increased \$16.4 million to \$38.9 million from \$22.5 million for the three months ended June 30, 2019. Adjusted EBITDA loss from our Non-operating Corporate segment for the three months ended June 30, 2020 decreased \$0.8 million to \$3.6 million from \$4.4 million for the three months ended June 30, 2019. The decrease in Adjusted EBITDA loss was driven by lower bonus and overhead costs compared to the prior period.

(in millions)

	Six Months Ended June 30, 2020								
	Core Operating Subsidiaries			Early Stage & Other			Other and Eliminations	Non-operating Corporate	HC2
	Construction	Energy	Telecom	Life Sciences	Broadcasting				
Net loss attributable to HC2 Holdings, Inc.									\$ (70.0)
Less: Net income attributable to HC2 Holdings Insurance segment									11.4
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment									(3.1)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance segment	\$ 1.5	\$ 1.0	\$ 0.5	\$ (4.4)	\$ (10.9)	\$ 4.0	\$ (70.0)	\$ (78.3)	
Adjustments to reconcile net income (loss) to Adjusted EBITDA:									
Depreciation and amortization	5.3	4.1	0.2	0.1	3.4	—	—	13.1	
Depreciation and amortization (included in cost of revenue)	4.6	—	—	—	—	—	—	4.6	
Other operating (income) expenses	0.1	—	—	—	(2.1)	—	—	(2.0)	
Interest expense	4.4	2.4	—	—	6.7	—	29.3	42.8	
Other (income) expense, net	0.1	0.1	(0.3)	(2.3)	2.6	(71.3)	6.6	(64.5)	
Loss on early extinguishment of debt	—	—	—	—	—	—	9.2	9.2	
Income tax (benefit) expense	1.1	—	—	—	—	7.3	4.0	12.4	
Noncontrolling interest	0.1	0.4	—	(2.2)	(2.4)	1.6	—	(2.5)	
Bonus to be settled in equity	—	—	—	—	—	—	(0.4)	(0.4)	
Share-based payment expense	—	—	—	0.1	0.2	—	1.5	1.8	
Discontinued Operations	—	—	—	—	—	56.3	3.8	60.1	
Non-recurring items	1.8	—	—	—	—	—	5.2	7.0	
Covid-19 costs	8.8	—	—	—	—	—	—	8.8	
Acquisition and disposition costs	0.3	—	0.2	—	0.4	1.4	2.2	4.5	
Adjusted EBITDA	\$ 28.1	\$ 8.0	\$ 0.6	\$ (8.7)	\$ (2.1)	\$ (0.7)	\$ (8.6)	\$ 16.6	
Total Core Operating Subsidiaries	\$ 36.7								

(in millions)

	Six Months Ended June 30, 2019								
	Core Operating Subsidiaries			Early Stage & Other			Other and Eliminations	Non-operating Corporate	HC2
	Construction	Energy	Telecom	Life Sciences	Broadcasting				
Net income attributable to HC2 Holdings, Inc.									\$ 6.6
Less: Net income attributable to HC2 Holdings Insurance segment									64.1
Less: Consolidating eliminations attributable to HC2 Holdings Insurance segment									(5.5)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	\$ 11.0	\$ (1.3)	\$ 1.0	\$ (4.0)	\$ (7.9)	\$ (4.7)	\$ (46.1)	\$ (52.0)	
Adjustments to reconcile net income (loss) to Adjusted EBITDA:									
Depreciation and amortization	7.9	2.9	0.2	0.1	2.9	—	—	14.0	
Depreciation and amortization (included in cost of revenue)	4.5	—	—	—	—	—	—	4.5	
Other operating (income) expenses	(0.1)	0.1	0.5	—	(1.9)	—	—	(1.4)	
Interest expense	4.7	0.9	—	—	3.9	—	28.7	38.2	
Net loss (gain) on contingent consideration	—	—	(0.2)	—	—	—	—	(0.2)	
Other (income) expense, net	0.2	0.2	—	(0.1)	0.4	(0.2)	1.0	1.5	
Income tax (benefit) expense	5.1	—	—	—	0.1	—	(2.5)	2.7	
Noncontrolling interest	0.9	(0.6)	—	(0.8)	(1.6)	(1.6)	—	(3.7)	
Share-based payment expense	—	—	—	0.1	0.4	—	2.5	3.0	
Discontinued operations	—	—	—	—	—	9.0	5.3	14.3	
Non-recurring items	—	—	—	—	—	—	—	—	
Acquisition and disposition costs	1.3	0.1	0.1	—	0.3	—	0.6	2.4	
Adjusted EBITDA	\$ 35.5	\$ 2.3	\$ 1.6	\$ (4.7)	\$ (3.4)	\$ 2.5	\$ (10.5)	\$ 23.3	
Total Core Operating Subsidiaries	\$ 39.4								

Construction: Net income from our Construction segment for the six months ended June 30, 2020 decreased \$9.5 million to \$1.5 million from \$11.0 million for the six months ended June 30, 2019. Adjusted EBITDA from our Construction segment for the six months ended June 30, 2020 decreased \$7.4 million to \$28.1 million from \$35.5 million for the six months ended June 30, 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.

Energy: Net income (loss) from our Energy segment for the six months ended June 30, 2020 increased by \$2.3 million to income of \$1.0 million from a loss of \$1.3 million for the six months ended June 30, 2019. Adjusted EBITDA from our Energy segment for the six months ended June 30, 2020 increased \$5.7 million to \$8.0 million from \$2.3 million for the six months ended June 30, 2019. The increase in Adjusted EBITDA was primarily driven by higher volume-related revenues from the acquisition of ampCNG stations in June 2019 and the AFTC recognized in the current period which had not yet been renewed in the comparable period. Partially offsetting these increases were higher selling, general and administrative expenses as a result of the acquisition of the ampCNG stations.

Telecommunications: Net income from our Telecommunications segment for the six months ended June 30, 2020 decreased by \$0.5 million to \$0.5 million from \$1.0 million for the six months ended June 30, 2019. Adjusted EBITDA from our Telecommunications segment for the six months ended June 30, 2020 decreased \$1.0 million to \$0.6 million from \$1.6 million for the six months ended June 30, 2019. The decrease in Adjusted EBITDA was primarily due to a decline in call termination margin as a result of the continued decline in the international long distance market, partially offset by a decrease in compensation expense due to headcount decreases.

Life Sciences: Net loss from our Life Sciences segment for the six months ended June 30, 2020 increased \$0.4 million to \$4.4 million from \$4.0 million for the six months ended June 30, 2019. Adjusted EBITDA loss from our Life Sciences segment for the six months ended June 30, 2020 increased \$4.0 million to \$8.7 million from \$4.7 million for the six months ended June 30, 2019. The increase in Adjusted EBITDA loss was primarily driven by higher expenses at R2 Technologies, which increased spending from the comparable period to ramp up efforts to achieve commercialization of its products and higher equity method losses recorded from our investment in MediBeacon due to the timing of clinical trials.

Broadcasting: Net loss from our Broadcasting segment for the six months ended June 30, 2020 increased \$3.0 million to \$10.9 million from \$7.9 million for the six months ended June 30, 2019. Adjusted EBITDA loss from our Broadcasting segment for the six months ended June 30, 2020 decreased \$1.3 million to \$2.1 million from \$3.4 million for the six months ended June 30, 2019. The overall decrease in Adjusted EBITDA loss was primarily driven by increased revenue from broadcast stations, as well as cost reductions at Network, partially offset by increased cost of revenues associated with the higher number of operating stations, and a decrease in advertising revenues at the Azteca network driven by the negative impact of the COVID-19 pandemic.

Other and Eliminations: Net income (loss) from our Other and Eliminations segment for the six months ended June 30, 2020 increased \$8.7 million to income of \$4.0 million from a loss of \$4.7 million for the six months ended June 30, 2019. Adjusted EBITDA from our Other and Eliminations segment for the six months ended June 30, 2020 decreased \$3.2 million to a loss of \$0.7 million from income of \$2.5 million for the six months ended June 30, 2019. The decrease in 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.

Non-operating Corporate: Net loss from our Non-operating Corporate segment for the six months ended June 30, 2020 increased \$23.9 million to a loss of \$70.0 million from a loss of \$46.1 million for the six months ended June 30, 2019. Adjusted EBITDA loss from our Non-operating Corporate segment for the six months ended June 30, 2020 decreased \$1.9 million to \$8.6 million from \$10.5 million for the six months ended June 30, 2019. The decrease in Adjusted EBITDA loss was driven by non-recurring severance payments made in the comparable period and reduced overhead expenses.

(in millions):	Three Months Ended June 30,			Six months ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Construction	\$ 19.1	\$ 23.1	\$ (4.0)	\$ 28.1	\$ 35.5	\$ (7.4)
Energy	4.2	1.3	2.9	8.0	2.3	5.7
Telecommunications	0.2	0.8	(0.6)	0.6	1.6	(1.0)
Total Core Operating Subsidiaries	23.5	25.2	(1.7)	36.7	39.4	(2.7)
Life Sciences	(4.5)	(1.8)	(2.7)	(8.7)	(4.7)	(4.0)
Broadcasting	(1.1)	(0.9)	(0.2)	(2.1)	(3.4)	1.3
Other and Eliminations	0.9	7.4	(6.5)	(0.7)	2.5	(3.2)
Total Early Stage and Other	(4.7)	4.7	(9.4)	(11.5)	(5.6)	(5.9)
Non-Operating Corporate	(3.6)	(4.4)	0.8	(8.6)	(10.5)	1.9
Adjusted EBITDA	\$ 15.2	\$ 25.5	\$ (10.3)	\$ 16.6	\$ 23.3	\$ (6.7)

Adjusted Operating Income - Insurance

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

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

Management defines Insurance AOI as Net income 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:

	Three Months Ended June 30,			Six months ended June 30,		
	2020	2019	Increase / (Decrease)	2020	2019	Increase / (Decrease)
Net income - Insurance segment	\$ 11.4	\$ 30.3	\$ (18.9)	\$ 11.4	\$ 64.1	\$ (52.7)
Effect of investment losses (gains) ⁽¹⁾	0.4	0.5	(0.1)	19.4	(5.5)	24.9
Gain on bargain purchase	—	(1.1)	1.1	—	(1.1)	1.1
Acquisition costs	—	1.6	(1.6)	—	1.8	(1.8)
Insurance AOI	11.8	31.3	(19.5)	30.8	59.3	(28.5)
Income tax expense (benefit)	2.8	1.7	1.1	(9.6)	2.4	(12.0)
Pre-tax Insurance AOI	\$ 14.6	\$ 33.0	\$ (18.4)	\$ 21.2	\$ 61.7	\$ (40.5)

⁽¹⁾The Insurance segment revenues are inclusive of realized and unrealized gains and net investment income for the three and six months ended June 30, 2020 and 2019, inclusive of transactions between entities under common control, which are eliminated or are reclassified in consolidation.

Net income for the three months ended June 30, 2020 decreased \$18.9 million to \$11.4 million from \$30.3 million for the three months ended June 30, 2019. Pre-tax Insurance AOI for the three months ended June 30, 2020 decreased \$18.4 million to \$14.6 million from \$33.0 million for the three months ended June 30, 2019. The decrease was primarily driven by non-recurring favorable claims activity recognized in the comparable period driven by an increase in contingent non-forfeiture option activity as a result of in-force rate actions approved and implemented and additional unfavorable claims activity and reserve developments in the current year. Additionally, the Insurance segment incurred larger expenses due to additional premium taxes, miscellaneous software expenses, third party management fees, and legal expenses.

Net income for the six months ended June 30, 2020 decreased \$52.7 million to \$11.4 million from \$64.1 million for the six months ended June 30, 2019. Pre-tax Insurance AOI for the six months ended June 30, 2020 decreased \$40.5 million to \$21.2 million from \$61.7 million for six months ended June 30, 2019. The decrease was primarily driven by non-recurring favorable claims activity recognized in the comparable period driven by an increase in contingent non-forfeiture option activity as a result of in-force rate actions approved and implemented and additional unfavorable claims activity and reserve developments in the current year. Additionally, the Insurance segment incurred larger expenses due to additional premium taxes, miscellaneous software expenses, third party management fees, and legal expenses.

Backlog

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

Construction Segment

At June 30, 2020, DBMG's backlog was \$410.3 million, consisting of \$349.9 million under contracts or purchase orders and \$60.4 million under letters of intent or notices to proceed. Approximately \$96.6 million, representing 23.5% of DBMG's backlog at June 30, 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.

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, 2020 Revolving Credit Agreement, 7.5% convertible notes due 2022 (the "Convertible Notes"), dividend payments on its Preferred Stock and recurring operational expenses.

As of June 30, 2020, the Company had \$203.8 million of cash and cash equivalents compared to \$228.8 million as of December 31, 2019. On a stand-alone basis, as of June 30, 2020, HC2 had cash and cash equivalents of \$0.9 million compared to \$11.6 million at December 31, 2019. At June 30, 2020, cash and cash equivalents in our Insurance segment was \$139.5 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 and subsea cable equipment, fueling stations, network equipment (such as switches, related transmission equipment and capacity), and service infrastructure, liabilities associated with insurance products, development of back-office systems, operating costs and expenses, and income taxes.

As of June 30, 2020, the Company had \$654.6 million of indebtedness on a consolidated basis compared to \$805.0 million as of December 31, 2019. On a stand-alone basis, as of June 30, 2020 and December 31, 2019, HC2 had indebtedness of \$412.4 million and \$540.0 million, respectively.

HC2's stand-alone debt consists of the \$342.4 million aggregate principal amount of the Senior Secured Notes, the \$55.0 million aggregate principal amount of the Convertible Notes, and the \$15.0 million 2020 Revolving Credit Agreement. 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 15th, April 15th, July 15th, and October 15th of each year.

HC2 received \$0.5 million in dividends from our Telecommunications segment during the six months ended June 30, 2020.

HC2 received \$1.1 million and \$2.9 million in net management fees during the three and six months ended June 30, 2020, respectively.

HC2 received \$13.5 million in dividends from its Construction segment during the three and six months ended June 30, 2020, and on July 17, 2020 the construction segment announced it will pay a cash dividend of \$5.0 million, or \$1.30 per share. HC2 received approximately \$4.5 million of the total dividend payout.

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

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

We have begun to see significant costs increases, primarily at our Construction segment, driven by expenses associated with maintaining a safe work environment, and while executing on their projects. During the three and six months ended June 30, 2020, \$8.4 million and \$8.8 million of COVID-19 costs were incurred. Although the COVID-19 pandemic did not have a material impact on the HC2's liquidity in the first half of 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 from our operating subsidiaries, 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.

Indebtedness

See Note 14. Debt Obligations, to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a description of our long-term debt.

Restrictive Covenants

The indenture governing the Senior Secured Notes dated November 20, 2018, by and among HC2, the guarantors party thereto and U.S. Bank National Association, a national banking association ("U.S. Bank"), as trustee (the "Secured Indenture"), contains certain affirmative and negative covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company's subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications.

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

The maintenance of liquidity covenant provides that the Company will not permit the aggregate amount of (i) all unrestricted cash and cash equivalents of the Company and the Subsidiary Guarantors, (ii) amounts available for drawing under revolving credit facilities and undrawn letters of credit of the Company and the Subsidiary Guarantors and (iii) dividends, distributions or payments that are immediately available to be paid to the Company by any of its Restricted Subsidiaries to be less than the Company's obligation to pay interest on the Senior Secured Notes and all other debt, including Convertible Preferred Stock mandatory cash dividends or any other mandatory cash pay Preferred Stock but excluding any obligation to pay interest on Convertible Preferred Stock or any other mandatory cash pay Preferred Stock which, in each case, may be paid by accretion or in-kind in accordance with its terms of the Company and its Subsidiary Guarantors for the next six months. As of December 31, 2019, the Company was in compliance with this covenant.

The maintenance of collateral coverage provides that the Company's 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 June 30, 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 June 30, 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, 2020, 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 June 30, 2020, the Company was in compliance.

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

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

Summary of Consolidated Cash Flows

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

	Six Months Ended June 30,		
	2020	2019	Increase / (Decrease)
Operating activities	\$ 48.6	\$ 33.6	\$ 15.0
Investing activities	145.9	(149.0)	294.9
Financing activities	(220.2)	66.5	(286.7)
Effect of exchange rate changes on cash and cash equivalents	0.6	0.3	0.3
Net decrease in cash, cash equivalents and restricted cash	\$ (25.1)	\$ (48.6)	\$ 23.5

Operating Activities

Cash provided by operating activities was \$48.6 million for the six months ended June 30, 2020 as compared to cash provided by operating activities of \$33.6 million for the six months ended June 30, 2019. The \$15.0 million change was the result of the working capital improvements in our Construction and Energy segments. Our Construction segment benefited from increased billings in excess of costs on new projects, while our Energy segment benefited from AFTC related collections in the current period. These increases were offset by the working capital declines in our Telecommunication and Insurance segments. Our Telecommunication segment experienced a decline due to the timing of vendor payments and receivables collections, while our Insurance segment recorded a large tax receivable during the current period as a result of the CARES Act, refer to Note 15. Income Taxes for further detail.

Investing Activities

Cash provided by investing activities was \$145.9 million for the six months ended June 30, 2020 as compared to cash used in investing activities of \$149.0 million for the six months ended June 30, 2019. The \$294.9 million change was a result of the sales of GMSL and HMN during the current year and acquisition of ampCNG during the comparable period.

Financing Activities

Cash used in financing activities was \$220.2 million for the six months ended June 30, 2020 as compared to cash provided by financing activities of \$66.5 million for the six months ended June 30, 2019. The \$286.7 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.

Construction

Cash Flows

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

DBMG is required to make monthly or quarterly interest payments on all of its debt. Based upon the June 30, 2020 debt balance, DBMG anticipates that its interest payments will be approximately \$1.7 million each quarter of 2020.

DBMG believes that its available funds, cash generated by operating activities and funds available under its bank credit facilities will be sufficient to fund its capital expenditures and its working capital needs. However, DBMG may expand its operations through future acquisitions and may require additional equity or debt financing. Market volatility resulting from the COVID-19 pandemic or other factors could adversely impact our ability to access capital as and when needed.

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 June 30, 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. Due to the COVID-19 pandemic, CIG performed adverse stress testing of investments and reserves which still yielded results in ending the year with a Risk-Based Capital ("RBC") well above regulatory minimums.

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 RBC ratio. CIG monitors its insurance subsidiary's compliance with the RBC requirements specified by the National Association of Insurance Commissioners. As of June 30, 2020, CIG's insurance subsidiary exceeded the minimum RBC requirements.

Insurance Companies Capital Contributions

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

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

Asset Liability Management

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

Investments

At June 30, 2020 and December 31, 2019, CIG’s investment portfolio is comprised of the following (in millions):

	June 30, 2020		December 31, 2019	
	Fair Value	Percent	Fair Value	Percent
U.S. Government and government agencies	\$ 8.5	0.2 %	\$ 7.7	0.2 %
States, municipalities and political subdivisions	436.7	9.8 %	440.1	9.9 %
Residential mortgage-backed securities	59.7	1.3 %	66.9	1.5 %
Commercial mortgage-backed securities	91.2	2.1 %	109.4	2.5 %
Asset-backed securities	531.5	12.0 %	577.8	13.1 %
Corporate and other (*)	3,032.7	68.2 %	2,866.8	64.8 %
Common stocks (*)	21.9	0.5 %	25.6	0.6 %
Perpetual preferred stocks (*)	103.6	2.3 %	118.9	2.7 %
Mortgage loans	128.8	2.9 %	183.5	4.1 %
Policy loans	18.5	0.4 %	19.1	0.4 %
Other invested assets	13.1	0.3 %	7.2	0.2 %
Total	\$ 4,446.2	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):

	June 30, 2020		December 31, 2019	
	Fair Value	Percent	Fair Value	Percent
AAA, AA, A	\$ 1,957.7	46.9 %	\$ 1,954.9	48.1 %
BBB	1,924.5	46.3 %	1,834.5	45.1 %
Total investment grade	3,882.2	93.2 %	3,789.4	93.2 %
BB	189.8	4.6 %	210.7	5.2 %
B	18.9	0.5 %	18.0	0.4 %
CCC, CC, C	60.7	1.5 %	37.9	0.9 %
D	8.7	0.2 %	12.7	0.3 %
Total non-investment grade	278.1	6.8 %	279.3	6.8 %
Total	\$ 4,160.3	100.0 %	\$ 4,068.7	100.0 %

Off-Balance Sheet Arrangements

DBMG's off-balance sheet arrangements at June 30, 2020 included letters of credit of \$9.1 million under Credit and Security Agreements and performance bonds of \$108.0 million. DBMG's contract arrangements with customers sometimes require DBMG to provide performance bonds to partially secure its obligations under its contracts. Bonding requirements typically arise in connection with public works projects and sometimes with respect to certain private contracts. DBMG's performance bonds are obtained through surety companies and typically cover the entire project price.

New Accounting Pronouncements

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

Critical Accounting Policies

There have been no material changes in the Company's critical accounting policies during the quarter ended June 30, 2020. For information about critical accounting policies, refer to "Critical Accounting Policies" under Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Related Party Transactions

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

Corporate Information

HC2, a Delaware corporation, was incorporated in 1994. The Company's executive offices are located at 450 Park Avenue, 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 SEC. The information on or accessible through our website is not a part of this Quarterly Report on Form 10-Q.

Special Note Regarding Forward-Looking Statements

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

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

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

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, 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 recent 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 Notes, the Certificates of Designation governing HC2's Preferred Stock and all other subsidiary debt obligations as summarized in Note 14. Debt Obligations and future financing agreements on our ability to operate our business and finance our pursuit of acquisition opportunities;
- our dependence on certain key personnel;
- the impact of our reconstituted Board on our business growth and value to stockholders;
- 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.

Construction / DBM Global Inc.

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

- 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.

Energy / ANG Holdings, Inc.

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

- reductions in demand for our products as a result of the COVID-19 pandemic;
- automobile and engine manufacturers' limited production of originally manufactured natural gas vehicles and engines for the markets in which ANG participates;
- environmental regulations and programs mandating the use of cleaner burning fuels;
- competition from oil and gas companies, retail fuel providers, industrial gas companies, natural gas utilities and other organizations;
- the infrastructure for natural gas vehicle fuels;
- the safety and environmental risks of natural gas fueling operations and vehicle conversions;
- our Energy segment's ability to implement its business plan in a regulated environment;
- the adoption, modification or repeal in environmental, tax, government regulations, and other programs and incentives that encourage the use of clean fuel and alternative vehicles;
- demand for natural gas vehicles;
- advances in other alternative vehicle fuels or technologies, or improvements in gasoline, diesel or hybrid engines; and
- increases, decreases and general volatility in oil, gasoline, diesel and natural gas prices.

Telecommunications / PTGi International Carrier Services, Inc.

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

- our expectations regarding increased competition, pricing pressures and usage patterns with respect to ICS's product offerings;
- significant changes in ICS's competitive environment, including as a result of industry consolidation, and the effect of competition in its markets, including pricing policies;
- its compliance with complex laws and regulations in the U.S. and internationally;
- further changes in the telecommunications industry, including rapid technological, regulatory and pricing changes in its principal markets; and
- an inability of ICS' suppliers to obtain credit insurance on ICS in determining whether or not to extend credit.

Insurance / Continental Insurance Group Ltd.

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

- our 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.

Life Sciences / Pansend Life Sciences, LLC

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

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

Broadcasting / HC2 Broadcasting Holdings Inc.

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

- our ability to attract advertisers during the COVID-19 pandemic;
- our Broadcasting segment's ability to integrate our recent and pending broadcasting acquisitions;
- our Broadcasting segment's ability to operate in highly competitive markets and maintain market share;
- our Broadcasting segment's ability to effectively implement its business strategy or be successful in the operation of its business;
- new and growing sources of competition in the broadcasting industry; and
- FCC regulation of the television broadcasting industry.

Other

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

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

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as 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 June 30, 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.

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 June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for the Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Condensed Consolidated Financial Statements. See Note 16. Commitments and Contingencies to our unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Other than noted below, there have been no additional material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 16, 2020.

Risks Related to our Businesses

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 its ultimate customers and potential customers to postpone or reduce spending on its 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 its 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 its 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. 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.

Our newly reconstituted Board and change in executive management may not result in growth of our business or enhance stockholder value, and our search for a permanent Chief Executive Officer may not be successful.

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, succeeding Philip A. Falcone. As a result, the Board formed a CEO search committee and is currently conducting a search for the role of Chief Executive Officer. In connection with the change in executive management, the Company announced on July 6, 2020 that the Board had determined to reduce the number of nominees for Director from seven to six. Subsequently, Avram A. Glazer, Wayne Barr, Jr. Kenneth S. Courtis, Warren H. Gfeller, Michael Gorzynski and Shelly C. Lombard were elected to the Board at the 2020 Annual Meeting held on July 30, 2020, representing a significant turnover in the composition of the Board from prior years.

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 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. Furthermore, the transition to a permanent Chief Executive Officer could be a distraction to our executive management, business operations and customers. The search could also result in significant recruiting and relocation costs. If we fail to successfully and timely attract and appoint a Chief Executive Officer with the appropriate level of expertise, we could experience adverse impacts on our business and results of operations.

Risks Related to the Construction 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 three and six months ended June 30, 2020, \$8.4 million and \$8.8 million 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.

Risks Related to the 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 impacted our cash flows and result of operations.

Risks related to our 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 \$10.0 million of preferred stock for R2, and 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.

Risks related to our Broadcasting Segment

Our Broadcasting segment has been, and may continue to be, impacted by the COVID-19 pandemic in numerous ways. Broadcasting 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Interim Chief Executive Officer Employment Agreement

On August 7, 2020, the Company entered into an employment agreement with Wayne Barr, Jr., the interim Chief Executive Officer of the Company.

The employment agreement provides that Mr. Barr will receive an annual base salary of \$360,000. During Mr. Barr's employment with the Company, Mr. Barr will also be eligible to receive an annual cash bonus in such amount and subject to such terms and conditions as are determined by the Chairman of the Board in consultation with Mr. Barr, subject to his continued employment through the applicable payment date. Notwithstanding the foregoing, Mr. Barr will be eligible to receive an annual bonus in respect of 2020 in an amount equal to no less than \$180,000 if the Board determines that Mr. Barr's actions as interim Chief Executive Officer have resulted in the successful refinancing of the debt of the Company and its affiliates and otherwise improved the standing of the Company to position it to achieve its business goals and objectives with respect to 2021.

The employment agreement further provides that, as soon as practicable following the date of the employment agreement, Mr. Barr will be eligible to receive a grant of restricted stock awards pursuant to the Company's equity incentive plan with a fair market value equal to \$90,000 for the 2020/2021 year based on the closing price of the Company's common stock on July 30, 2020 (the "RSA Award"). 66-2/3% of the RSA Award will vest on July 30, 2021 and the remainder of the RSA Award will vest on July 30, 2022, subject to Mr. Barr's continued services as a member of the Board or employee of the Company through each vesting date.

The employment agreement further provides that upon a qualifying termination of Mr. Barr's employment by the Company without "cause" or by Mr. Barr for "good reason" (in each case as such terms are defined in the employment agreement), then Mr. Barr will be entitled to receive the severance payments and benefits under the position of "CEO" in accordance with, and subject to the terms of, the Company's severance guidelines in effect as of the termination date; provided, that if Mr. Barr's employment is terminated by the Company without "cause" or by Mr. Barr for "good reason", in each case, as a result of the Company hiring a permanent successor Chief Executive Officer prior to June 11, 2021, then in addition to the foregoing severance payments and benefits, Mr. Barr will also be entitled to receive continued payment of his base salary through June 11, 2021. The Company's current severance guidelines provide that upon a qualifying termination of employment, Mr. Barr will be entitled to 12 months of annual base salary plus 12 months of Consolidated Omnibus Budget Reconciliation Act health benefit premiums, if eligible, subject to execution of a separation and release agreement.

The foregoing description of the terms of the employment agreement with Mr. Barr is a summary of certain of its terms only and is qualified in its entirety by the full text of the employment agreement filed as Exhibit 10.4 hereto.

ITEM 6. EXHIBITS

(a) Exhibits

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

Exhibit Number	Description
10.1	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 (filed herewith).
10.2	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 (filed herewith).
10.3	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 (filed herewith).
10.4 [^]	Employment Agreement dated effective as of August 7, 2020, by and between HC2 Holdings, Inc. and Wayne Barr, Jr. (filed herewith).
10.5	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).
10.6	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).
10.7	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).
10.8	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).
10.9	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).
10.10	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).
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.
101	The following materials from the registrant's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020, formatted in extensible business reporting language (XBRL): (i) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2020 and 2019, (iii) Condensed Consolidated Balance Sheets at June 30, 2020 and December 31, 2019, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2020 and 2019, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* 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.

SIGNATURES

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

Date:

August 10, 2020

HC2 Holdings, Inc.

By: /s/ Michael J. Sena

Michael J. Sena

Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

SECOND AMENDMENT TO INTERCREDITOR AGREEMENT

THIS SECOND AMENDMENT TO INTERCREDITOR AGREEMENT (this "Amendment"), dated as of April [●], 2020, is entered into by and among **WELLS FARGO BANK, NATIONAL ASSOCIATION**, lender under the ABL Credit Agreement (such term and each other capitalized term used but not defined herein having the meaning given to it in the Intercreditor Agreement, as defined below), together with its successors and assigns (the "ABL Agent") and **TCW ASSET MANAGEMENT COMPANY LLC**, in its capacity as collateral agent under the Term Credit Agreement, together with its successors and assigns in such capacity (the "Term Agent" and together with the ABL Agent, the "Agents").

WITNESSETH

WHEREAS, the ABL Agent and Term Agent are party to that certain Intercreditor Agreement dated as of November 30, 2018 (as amended by that certain First Amendment to Intercreditor Agreement dated as of May 6, 2019 and as otherwise amended, restated or otherwise modified, the "Intercreditor Agreement");

WHEREAS, as of the date hereof, the Term Agent, the Borrowers, the Guarantors and the Term Lenders are entering into a Second Amendment to Financing Agreement, a copy of which is annexed hereto as Exhibit A (the "Term Amendment"), which Term Amendment, among other things, increases the aggregate principal amount of available Term Loan Commitments.

WHEREAS, in connection with the Term Amendment, the ABL Agent and the Term Agent wish to amend the Intercreditor Agreement as set forth herein; and

WHEREAS, upon the terms and conditions set forth herein, the ABL Agent and Term Agent are willing to make certain amendments to the Intercreditor Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendments to Intercreditor Agreement. Effective upon the satisfaction of the conditions precedent set forth in Section 3 hereof, and subject to the terms and conditions set forth herein, the ABL Agent hereby consents to the Term Amendment and the Intercreditor Agreement is hereby amended as follows:

(a) Section 1.2 of the Intercreditor Agreement is hereby amended by amending and restating the definition of "Maximum Term Principal Obligations" as follows:

"Maximum Term Principal Obligations" shall mean, as of any date of determination, the result of: (a) (I) \$92,000,000 plus (II) 115% of the aggregate principal amount of amount of DDTF Loans made by the Term Lenders on or following the Second Amendment Effective Date; minus (b) the aggregate amount of all principal payments and prepayments (whether voluntary or mandatory) of the loans actually received by the Term Agent under the Term Credit Agreement (other than as a result of a Permitted Refinancing).

(b) Section 1.2 of the Intercreditor Agreement is hereby amended by adding the following defined terms in appropriate alphabetical order:

“DDTF Loans” shall mean any loans made to the Company or the other Borrowers by the Term Lenders on or following the Second Amendment Effective Date in an aggregate principal amount not to exceed \$10,000,000.

“Second Amendment Effective Date” shall mean the “Second Amendment Effective Date” as defined in the Second Amendment to Financing Agreement among Term Agent, the Borrowers, the Guarantors and the Term Lenders dated as of April [●], 2020.

2. Representations and Warranties of Agents. Each Agent, severally (not jointly) as to itself, hereby represents and warrants to each other Agent that as of the date hereof it is duly authorized to execute this Amendment.

3. Conditions Precedent to Amendment. This Amendment shall become effective upon the later of the execution hereof by each of the Agents and the Second Amendment Effective Date.

4. Miscellaneous.

(a) Effect of Amendment. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Agent under the Intercreditor Agreement, or constitute a waiver of any provision of the Intercreditor Agreement.

(b) Counterpart; Electronic Execution. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, e-mailed pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. As used herein, “Electronic Signature” means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

(c) Severability. In the event that any provision of this Amendment is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Amendment shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Amendment.

(d) Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment.

(e) Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

(f) References. Any reference to the Intercreditor Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the ABL Credit Loan Agreement, the Term Credit Agreement or any other ABL Document or Term Document to the Intercreditor Agreement shall be a reference to the Intercreditor Agreement as amended hereby and as further amended, modified, restated, supplemented or extended from time to time.

(g) Reaffirmation; Continued Effectiveness. Each Agent acknowledges and reaffirms that notwithstanding this Amendment or any other matter the Intercreditor Agreement, as amended hereby, shall remain in full force and effect.

5. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

WELLS FARGO BANK, NATIONALASSOCIATION, as ABL Agent

By: */s/ Amber Vestal*_____

Name: Amber Vestal

Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO INTERCREDITOR]

TCW ASSET MANAGEMENTCOMPANY LLC, as Term Agent

By: /s/ Susan Grosso

Name: Susanne Grosso

Title: Managing Director

[SIGNATURE PAGE TO SECOND AMENDMENT TO INTERCREDITOR]

SECOND AMENDMENT TO FINANCING AGREEMENT

This **SECOND AMENDMENT TO FINANCING AGREEMENT** (this “**Amendment**” or the “**Second Amendment**”) is dated as of April 9, 2020 and entered into by and among **DBM GLOBAL INC.**, a Delaware corporation (“**Company**” or the “**Administrative Borrower**”), the subsidiaries of the Company listed as borrowers on the signature pages hereof (together with the Company, “**Borrowers**”), the subsidiaries of the Company listed as guarantors on the signatures pages hereto (“**Guarantors**”), the financial institutions listed on the signature pages hereof (“**Lenders**”) and **TCW ASSET MANAGEMENT COMPANY** (“**TCW**”), as administrative agent for Lenders (in such capacity, together with its successors and assigns, the “**Administrative Agent**”), and TCW as Collateral Agent for the Secured Parties (in such capacity, together with its successors and assigns, the “**Collateral Agent**” and together with the Administrative Agent, the “**Agents**”), and is made with reference to that certain Financing Agreement dated as of November 30, 2018, as amended by the First Amendment to Financing Agreement dated as of November 13, 2019 (as amended, modified or supplemented from time to time, including by the Second Amendment, the “**Financing Agreement**”), by and among Company, the Guarantors party thereto, the Lenders, certain other lenders from time to time party thereto and the Agents. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Financing Agreement.

RECITALS

WHEREAS, subject to the terms and conditions of the Financing Agreement as amended hereby, the Company has requested that (a) the financial institutions identified on the signature pages hereto as “**DDTF Lenders**” (collectively, the “**DDTF Lenders**”) severally provide an increase to the Term Loan Commitments in an aggregate principal amount of \$10,000,000 as set forth on Schedule I attached hereto (the “**DDTF Commitments**”) and (b) the Financing Agreement be otherwise amended in the manner provided for herein;

WHEREAS, each DDTF Lender has agreed to provide a DDTF Commitment and the Lenders and the Agents have agreed to amend the Financing Agreement, in each case on the terms and subject to the conditions set forth herein; and

WHEREAS, the Working Capital Agent and Working Capital Lenders are concurrently entering into that certain Second Amendment to the Working Capital Credit Agreement, a copy of which is attached hereto as Exhibit A (the “**WCCA Amendment**”), and the Collateral Agent and the Working Capital Agent are entering into that certain Second Amendment to the Intercreditor Agreement (the “**Intercreditor Agent Agreement**”), a copy of which is attached hereto as Exhibit B, pursuant to which, among other things, the Working Capital Agent and Working Capital Lenders have approved the DDTF Loans and this Amendment.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Financing Agreement as amended by this Amendment.

2. DDTF Commitments.

(a) Each DDTF Lender severally agrees to make its portion of the DDTF Commitments available to the Borrowers in an amount equal to its DDTF Commitment as further provided in this Amendment and the Financing Agreement. The DDTF Commitments of the DDTF Lenders shall be as set forth on Schedule I attached hereto. The existing Schedule 1.01(A) to the Financing Agreement shall be deemed to be amended to include the information set forth on Schedule I attached hereto. Subject to the satisfaction of the conditions set forth in Section 4 hereof and the other terms and conditions herein and in the Financing Agreement, the aggregate DDTF Commitments shall be \$10,000,000.

(b) Each DDTF Loan shall be a Loan and a Term Loan for all purposes under the Financing Agreement and the other Loan Documents.

(c) The proceeds of the Borrowings pursuant to the DDTF Commitments shall be used by the Borrowers for the purposes set forth in Section 6.01(s) of the Financing Agreement, as amended hereby and in the applicable Notice(s) of Borrowing therefor.

(d) The Applicable Margin with respect to the DDTF Commitments shall be as set forth in the Financing Agreement.

(e) The Final Maturity Date with respect to the DDTF Commitments established pursuant to this Amendment shall be as set forth in the Financing Agreement.

3. Amendments to Financing Agreement. Subject to the occurrence of the conditions set forth in Section 4 below:

(a) Section 1.01 of the Financing Agreement is amended by adding the following definitions in the appropriate alphabetical order:

“2014 Non-Tendered Stockholders” means the “Non-Tendered Stockholders” as defined in the Schuff Settlement Agreement in the form attached as Exhibit B to the DDTF Letter.

“2014 Non-Tendered Stockholders Payment” means any payment DBM or Parent is required to make to the 2014 Non-Tendered Stockholders pursuant to the Schuff Settlement Agreement.

“2014 Tender Offer” means the tender offer for the shares of DBM (f/k/a Schuff International, Inc.) that closed on October 6, 2014.

“2014 Tendered Shares” means the shares of DBM (f/k/a Schuff International, Inc.) that were tendered by the 2014 Tendered Stockholder pursuant to the 2014 Tender Offer.

“2014 Tendered Stockholders” means the “Tendered Stockholders” as defined in the Schuff Settlement Agreement in the form attached as Exhibit B to the DDTF Letter.

“D&O Insurance Payment” means an aggregate amount of up to \$13,700,000 in insurance payments in connection with the settlement of the Schuff Stockholder Litigation within ten (10) Business Days after Final Approval expected to be provided by the D&O Insurers, which will be paid to the 2014 Tendered Stockholders.

“D&O Insurers” means XL Specialty Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa. and Allied World National Assurance Company.

“DBM Tendered Stock Payment” means the payment DBM is required to make, in an amount that is expected to be up to \$8,100,000, to the 2014 Tendered Stockholders pursuant to the Schuff Settlement Agreement within ten (10) Business Days after Final Approval, including any portion of such payment that is awarded to Plaintiff Counsel under and as defined in the Schuff Settlement Agreement.

“DDTF” means the \$10,000,000 delayed draw term facility provided on a several (but not joint) basis by the DDTF Lenders, it being understood that, for the avoidance of doubt, as of the Second Amendment Effective Date the commitments referenced in the DDTF Letter in excess of \$10,000,000 shall be terminated and of no further force and effect.

“DDTF Commitment” means, with respect to each DDTF Lender, the commitment of such Lender to make the DDTF Loan to the Borrowers in the amount set forth in Schedule I attached to the Second Amendment or in the Assignment and Acceptance pursuant to which such Lender became a Lender under this Agreement, as the same may be terminated or reduced from time to time in accordance with the terms of this Agreement.

“DDTF Fee Letter” means the Fee Letter dated as of November 13, 2019 by and between the Administrative Agent and DBM.

“DDTF Lenders” means the lenders listed on Schedule I to the Second Amendment.

“DDTF Letter” means that certain Financing Commitment letter, dated as of November 13, 2019, by and between the DDTF Lenders and DBM.

“DDTF Loans” means a Term Loan made by a Lender to the Borrowers pursuant to Sections 2.01(b) and 5.03 hereof.

“DDTF Termination Date” means the earliest date of the occurrence of any of the following: (i) the termination of the Schuff Settlement Agreement or the amendment or modification of the Schuff Settlement Agreement without the prior written consent of the DDTF Lenders, (ii) the consummation of the funding of the Settlement Transactions contemplated by the DDTF Letter and the Second Amendment with or without the funding of the DDTF Loans, (iii) the Schuff Settlement Agreement in the form attached to the DDTF Letter is not fully executed by all parties thereto on or prior to November

20, 2019, (iv) 11:59 p.m. New York City time, on April 13, 2020 unless the Second Amendment Effective Date has occurred prior to such time, (v) Final Approval is not obtained as required in the Second Amendment or the Financing Agreement, or (vi) the date on which DBM elects to terminate the DDTF Commitments and notifies TCW in writing thereof

"DDTF Total Loan Commitment" means the sum of the amounts of the DDTF Lenders' DDTF Commitments, as the same may be terminated or reduced from time to time in accordance with the terms of this Agreement.

"DDTF Transactions" means the DDTF, the Settlement Transactions and the other transactions referenced in the DDTF Letter.

"Designated Default" has the meaning specified therefor in Section 4(c) of the Second Amendment.

"Designated Event of Default" has the meaning specified therefor in Section 4(c) of the Second Amendment.

"Effective Date Term Loan" means a Term Loan made by a Lender to the Borrowers on the Effective Date pursuant to Section 2.01(a).

"Effective Date Term Loan Commitment" means, with respect to each Lender, the commitment of such Lender to make the Effective Date Term Loans to the Borrowers in the amount set forth in Schedule 1.01(A) hereto or in the Assignment and Acceptance pursuant to which such Lender became a Lender under this Agreement, as the same may be terminated or reduced from time to time in accordance with the terms of this Agreement.

"Effective Date Total Term Loan Commitment" means the sum of the amounts of the Lenders' Effective Date Term Loan Commitments.

"Final Approval" means the Final Approval which the Schuff Settlement Agreement is subject to under and as defined in Paragraph 1(j) of the Schuff Settlement Agreement and as referenced in the Schuff Settlement Agreement, including Paragraph 2 thereof.

"Schuff Settlement Agreement" means the proposed execution version of the Stipulation and Agreement of Compromise, Settlement and Release, setting forth a settlement framework negotiated by the parties to the Schuff Stockholder Litigation, among lead plaintiff Mark Jacobs and the other parties thereto, a copy of which was attached as Exhibit B to the DDTF Letter, together with all exhibits and attachments thereto, as amended or amended and restated with the prior written consent of the DDTF Lenders.

"Schuff Stockholder Litigation" means the lawsuits further described in Annex A to the DDTF Letter in the Delaware Court of Chancery that relate to the 2014 Tender Offer.

“Second Amendment” means that certain Second Amendment to Financing Agreement, dated as of April 9, 2020, by and among the Borrowers, the Guarantors, the Lenders and the Agents, amending this Agreement.

“Second Amendment Effective Date” has the meaning specified therefor in the Second Amendment.

“Settlement Transactions” means the transactions referenced in the DDTF Letter and the Second Amendment in connection with the Schuff Stockholder Litigation, the Schuff Settlement Agreement, the D&O Insurance Payment, the DBM Tendered Stock Payment, the 2014 Non-Tendered Stockholders Payment and the Final Approval.

“Trigger Event” has the meaning specified therefor in Section 6.01(s) hereof.

(b) Section 1.01 of the Financing Agreement is amended by amending and restating in their entirety the following definitions in Section 1.01:

“Applicable Margin” means, as of any date of determination, with respect to the interest rate of (1) if the financial statements of the Company and its Subsidiaries in accordance with Section 7.01(a)(ii) for the four fiscal quarter period of the Company and its Subsidiaries most recently ended or pro forma calculations in connection with a DDTF Loan, demonstrating that the Senior Leverage Ratio of the Company and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is less than or equal to 2:00:1.00, (a) any Reference Rate Loan or any portion thereof, 4.85%, and (b) any LIBOR Rate Loan or any portion thereof, 5.85%, and (2) if the financial statements of the Company and its Subsidiaries in accordance with Section 7.01(a)(ii) for the four fiscal quarter period of the Company and its Subsidiaries most recently ended or pro forma calculations in connection with a DDTF Loan, demonstrating that the Senior Leverage Ratio of the Company and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is greater than 2:00:1.00, (a) 5.50% with respect to any Reference Rate Loan or any portion thereof and (b) 6.50% with respect to any LIBOR Rate Loan or any portion thereof. Any changes to the Applicable Margin pursuant to clause (1) or (2) above shall take effect two (2) Business Days after the applicable financial statements are delivered or the funding of such DDTF Loans occurs, as the case may be; provided that, if the Company fails to deliver on a timely basis such financial statements as required under Section 7.01 (a) or to deliver on a timely basis a Compliance Certificate as required under Section 7.01(a)(iv) in connection therewith, then until such financial statements and Compliance Certificates are delivered, the Applicable Margin for all Reference Rate Loans and LIBOR Rate Loans shall be as set forth in clause (2) hereof; provided further, that any change in the Applicable Margin from the rates set forth in clause (2) above to the rates set forth in clause (1) above shall not take effect until two (2) Business Days after the later of (i) the date on which the applicable financial statements in accordance with Section 7.01(a) (ii) are due, and (ii) the date on which such financial statements are actually delivered. Notwithstanding the foregoing, in the event that any financial statement or calculation described in the foregoing proviso is inaccurate (regardless of whether the Financing Agreement is in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the Applicable Margin being calculated in accordance with clause (2) above, then

the Applicable Margin for such period shall be adjusted retroactively (to the effective date of the increase of the Applicable Margin that was based upon the delivery of such inaccurate financial statement or calculation) to reflect the correct Applicable Margin, and the Borrowers shall promptly make payments to the Agents and the Lenders to reflect such adjustment.

“Loan” means a term loan made by a Lender to the Borrowers pursuant to Article II hereof including, without limitation, any Effective Date Term Loan or DDTF Loan.”

“Pro Rata Share” means, with respect to:

(a) a Lender's obligation to make the Effective Date Term Loan and the right to receive payments of interest, fees, and principal with respect thereto, the percentage obtained by dividing (i) such Lender's Effective Date Term Loan Commitment, by (ii) the Effective Date Total Term Loan Commitment, provided that if the Effective Date Total Term Loan Commitment has been reduced to zero, the numerator shall be the aggregate unpaid principal amount of such Lender's portion of the Effective Date Term Loans and the denominator shall be the aggregate unpaid principal amount of the Effective Date Term Loans,

(b) a Lender's obligation to make the DDTF Loan and the right to receive payments of interest, fees, and principal with respect thereto, the percentage obtained by dividing (i) such Lender's DDTF Commitment, by (ii) the DDTF Total Loan Commitment, provided that if the DDTF Total Loan Commitment has been reduced to zero, the numerator shall be the aggregate unpaid principal amount of such Lender's portion of the DDTF Loans and the denominator shall be the aggregate unpaid principal amount of the DDTF Loans, and

(c) all other matters (including, without limitation, the indemnification obligations arising under Section 10.05), the percentage obtained by dividing (i) the sum of such Lender's Term Loan Commitment and the unpaid principal amount of such Lender's portion of the Term Loans, by (ii) the sum of the Total Term Loan Commitment and the aggregate unpaid principal amount of the Term Loans.

“Term Loans” means all Loans.

“Term Loan Commitment” means, with respect to each Lender, such Lender's Effective Date Term Loan Commitment and, if applicable, DDTF Commitment.

(c) In Section 1.01 of the Financing Agreement, the definition of “Consolidated EBITDA” is hereby amended by amending and restating clause (b)(xii) thereof as follows: “(xii) any adjustments agreed to in a writing expressly referring to this clause (xii) by the Administrative Agent and the Administrative Borrower, including, without limitation, adjustments for payments made using proceeds of the DDTF Loans as contemplated by Section 6.02(s) hereof or using other funds for the same purpose, in each case, solely to the extent such payments decrease Consolidated Net Income (it being understood that the Administrative Agent hereby agrees in writing to such adjustments in an amount not to exceed \$10,000,000 (A) to the extent such payments are made using proceeds of the DDTF Loans and (B) to the extent such payments are made using other funds so long as the Working Capital Agent and Working Capital Lenders have agreed to the same adjustment under the Working Capital Credit Agreement);”.

(d) In Section 1.01 of the Financing Agreement, the definition of “LIBOR Rate” is hereby amended by deleting “1.50%” and substituting “1.75%” therefore and clause (a) of the definition of “Reference Rate” is hereby amended by deleting “2.50%” and substituting “2.75%” therefore.

(e) Section 2.01 of the Financing Agreement is hereby amended and restated in its entirety to read as follows:

“Section 2.01 Commitments

(a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, the Term Loan Lenders made Effective Date Term Loans to the Borrowers in the aggregate amount specified in Schedule 1.01(A) hereto on the Effective Date and the Effective Date Term Loan Commitments in effect or such date were reduced to zero. As of the date hereof, the principal amount of the outstanding Effective Date Term Loans is \$74,565,773.26.

(b) Subject to the terms and conditions and relying upon the representations and warranties set forth herein and in the Second Amendment, each DDTF Lender severally agrees to make DDTF Loans to the Borrowers during the period from the Second Amendment Effective Date until the DDTF Termination Date, in an aggregate principal amount not to exceed the amount of such Lender’s DDTF Commitment.

(c) Notwithstanding the foregoing:

(i) Each DDTF Lender’s DDTF Commitment shall be permanently reduced immediately and without further action upon (1) the making of each DDTF Loan in an amount equal to the amount of such Lender’s Pro Rata Share of such DDTF Loan and (2) any voluntary commitment reduction pursuant to Section 2.01(c)(ii) in an amount equal to the amount of such Lender’s Pro Rata Share of such commitment reduction. The DDTF Commitment and each Lender’s DDTF Commitment shall terminate immediately and without further action on the DDTF Termination Date.

(ii) The Borrowers may permanently reduce the DDTF Commitment of each Lender on a pro rata basis for each Lender, upon at least 5 Business Days prior written notice to the Administrative Agent, which notice shall specify the amount of such reduction and shall be irrevocable once given. Each such partial reduction shall be in a minimum amount of \$1,000,000, or an increment of \$250,000 in excess thereof (or such lesser amount if the DDTF Commitment shall be zero after giving effect to such reduction).

(iii) Any principal amount of any Term Loan which is repaid or prepaid may not be reborrowed.”

(f) Section 2.02(a) of the Financing Agreement is amended by adding the following proviso after the words “the Effective Date” in the first sentence thereof:

“; provided that in the case of any Term Loan made after the Effective Date, including any DDTF Loan, any such Notice of Borrowing shall be given not

later than 2:00 noon (New York City time) on the date that is seven (7) Business Days prior to the date of the proposed Term Loan.”

(g) Section 2.02(a) of the Financing Agreement is amended by amending and restating clause (v) of the second sentence thereof as follows:

“(v) the proposed borrowing date, which must be a Business Day, with respect to the initial Term Loan, must be the Effective Date, and, with respect to any DDTF Loan, must be on or after the Second Amendment Effective Date and on or prior to October 31, 2020 and, in addition, must be prior to the DDTF Termination Date.

(h) Section 2.02(c) is amended by amending and restating the first sentence thereof as follows:

“(c) All Loans under this Agreement shall be made by the Lenders, to the account specified by the Administrative Agent, no later than 2:00 p.m. on the borrowing date of the proposed Loan, simultaneously and proportionately to their Pro Rata Shares of the Effective Date Total Term Loan Commitment or DDTF Total Loan Commitment, as applicable, it being understood that no Lender shall be responsible for any default by any other Lender in that other Lender's obligations to make a Loan requested hereunder, nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in that other Lender's obligation to make a Loan requested hereunder, and each Lender shall be obligated to make the Loans required to be made by it by the terms of this Agreement regardless of the failure by any other Lender.”

(i) Section 2.03(a) is amended by amending and restating the first sentence thereof as follows:

“(a) The outstanding unpaid principal amount of the initial Term Loan made on the Effective Date and each additional Term Loan made after the Effective Date, including any DDTF Loan, shall be repaid in consecutive quarterly installments on the last Business Day of each calendar quarter (each a “Payment Date”), beginning with the first full calendar quarter ending after the Effective Date; each such quarterly installment shall be in an aggregate amount equal to the percentage of the original amount of such initial Term Loan and each such additional Term Loan including any DDTF Loan, as applicable, set forth below opposite the applicable period set forth below.”

(j) Section 2.03(a) is amended by amending and restating the sentence therein that begins with the words “Notwithstanding the foregoing” as follows:

“Notwithstanding the foregoing, (i) solely with respect to any additional Term Loan, including any DDTF Loan, the principal amount of such additional Term Loan shall not be included for purposes of calculating the amount of the applicable quarterly installment until the last Business Day of the next full calendar quarter following the date on which such additional Term Loan is made, and (ii) the last such installment in respect of the Term Loans shall be in the

amount necessary to repay in full the unpaid principal amount of the Term Loans.”

(k) Article V of the Financing Agreement is amended by adding the following as Section 5.03:

“5.03 Conditions Precedent to All DDTF Loans Made under the Financing Agreement. The obligation of any Agent or any Lender to make any DDTF Loan is subject to the fulfillment, in a manner reasonably satisfactory to the Agents and TCW, of each of the following conditions precedent (and solely these conditions precedent) on or prior to October 31, 2020:

(a) DDTF Effective Date. The Second Amendment Effective Date has occurred and all conditions set forth in the Second Amendment, including Section 4 of the Second Amendment, have been satisfied or waived, all conditions to any prior DDTF Loan set forth in this Section 5.03 have been satisfied or waived and the DDTF Termination Date has not occurred.

(b) Payment of Fees, Etc. The Borrowers shall have paid all fees, costs, expenses and taxes then payable by the Borrowers pursuant to this Agreement and the other Loan Documents, including, without limitation, the DDTF Fee Letter, the DDTF Letter and Section 12.04 hereof, including the Funding Fee (as defined in the DDTF Fee Letter) with respect to all DDTF Loans that have been requested; provided that such fees, costs and expenses (other than the Funding Fee) are invoiced to the Administrative Agent one (1) Business Day prior to the applicable funding date.

(c) Mortgage Amendments. The Borrowers shall have provided executed versions of the amendments to each of the Mortgages that include a cap or other limitation on the principal amount of Loans that may be outstanding under the Financing Agreement that increase any such cap or other limitation to an amount not less than \$103,500,000 (collectively, the “**Mortgage Amendments**”).

(d) Recordation of Mortgages; Title Insurance. The Borrowers shall have provided evidence that the Mortgage Amendments will be recorded in all relevant jurisdictions prior to or concurrently with the funding of any DDTF Loans along with the delivery of endorsements to the existing title policies requested by the Agents.

(e) Legal Opinions. The DDTF Lenders shall have received the legal opinions of: (i) Greenberg Traurig, LLP, counsel to the Loan Parties, as to (x) due authorization, execution and delivery of the Mortgage Amendments by each of the applicable Loan Parties (other than Midwest Environmental, Inc., a Kentucky corporation, and Titan Fabricators, Inc., a Kentucky corporation (collectively, the “**Kentucky Loan Parties**”), and (y) such other matters as the Collateral Agent may reasonably request; and (ii) Kentucky local counsel for the Loan Parties as to (x) due authorization, execution and delivery of the Second Amendment and, if applicable, Mortgage Amendments by each of the Kentucky Loan Parties, (y) the enforceability of the Mortgage Amendments, and (z) such other matters as the Collateral Agent may reasonably request.

(f) Representations and Warranties; No Event of Default; Other Matters. The following statements shall be true and correct, and the submission by the Administrative

Borrower to the Administrative Agent of a Notice of Borrowing with respect to each such DDTF Loan, and the Borrowers' acceptance of the proceeds of such DDTF Loan, shall each be deemed to be a representation and warranty by each Loan Party on the date of such DDTF Loan that: (i) the representations and warranties contained in Article VI of the Financing Agreement and in each other Loan Document, certificate or other writing delivered to any Secured Party pursuant hereto or thereto on or prior to the date of such DDTF are true and correct on and as of such date as though made on and as of such date, except to the extent that any such representation or warranty expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date), (ii) at the time of and after giving effect to the making of such DDTF Loan and the application of the proceeds thereof, no Designated Event of Default or Designated Default has occurred and is continuing or would result from the making of the DDTF Loan to be made on such date, (iii) the conditions set forth in this Section have been satisfied as of the date of such request, and (iv) all proceeds of the DDTF Loans requested will be used in accordance with the Financing Agreement, as amended by the Second Amendment, and (iv) the amount of the DBM Tendered Stock Payment and the 2014 Non-Tendered Stockholder Payment does not and will not exceed \$10,000,000.

(g) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing for the applicable DDTF Loan pursuant to Section 2.02 of the Financing Agreement not less than seven (7) Business Days prior to the date of the requested DDTF Loan (or such earlier date as the Administrative Agent may agree in its sole discretion), which Notice of Borrowing shall indicate the intended use of proceeds of such DDTF Loan which shall be used solely to either (i) fund the DBM Tendered Stock Payment (including any award to Plaintiff's Counsel contemplated by Section 18 of the Schuff Settlement Agreement in connection therewith), (ii) to fund a 2014 Non-Tendered Stockholders Payment or (iii) if a Trigger Event has occurred, fund costs and expenses in an aggregate amount not to exceed the amount set forth in Section 6.01(s).

(h) Final Approval and Related Matters. The Final Approval under and as defined in the Schuff Settlement Agreement shall have occurred and Agents shall have received the Order and Final Judgment with no material modification to the [Proposed] Order and Final Judgment attached as Exhibit C to the Schuff Settlement Agreement certifying the Class, approving the Settlement, dismissing Defendants from the Action (as such terms are defined in the Schuff Settlement Agreement) with prejudice on the merits and without fees, costs, or expenses to any Party (except those set forth in Paragraphs 2, 9, and 18 of the Schuff Settlement Agreement), providing for the releases set forth in Paragraphs 3-5 of the Schuff Settlement Agreement, and providing for the Bar Order described in Paragraph 14 of the Schuff Settlement Agreement, and that such Order and Final Judgment is final and no longer subject to further appeal or review, whether by affirmance on or exhaustion of any possible appeal or review, lapse of time, or otherwise. In the case of any DDTF Loan to be used to fund the DBM Tendered Stock Payments or the 2014 Non-Tendered Stockholder Payments, Agents and DDTF Lenders shall have received reasonably satisfactory evidence that the 2014 Tendered Stockholders have released (or will release concurrently with the funding of such DDTF Loan) all of their Released Plaintiff Claims (as defined in the Schuff Settlement Agreement) and all other related releases under the Schuff Settlement Agreement in connection therewith have occurred (or will occur concurrently with such funding) and Agents and DDTF Lenders shall have received reasonably satisfactory evidence that all of the 2014 Non-Tendered Stockholders shall have released (or will release concurrently with the funding of such DDTF Loan) all of their Released Plaintiff Claims and all

other related releases under the Schuff Settlement Agreement in connection therewith have occurred (or will occur concurrently with such funding).

(i) D&O Insurance Payment. Any D&O Insurance Payment paid after the date of the DDTF Letter has been received by the Company (or another person reasonably acceptable to the Agents) and the Agents have been provided with documentation and other evidence confirming such receipt and that any such D&O Issuance Payment (other than up to \$1,000,000 which may be used to pay legal fees covered by such D&O insurance policy) will be paid to the 2014 Tendered Stockholders in accordance with the Schuff Settlement Agreement prior to or concurrently with any DDTF Loan that funds the DBM Tendered Stock Payment.

(j) Schuff Settlement Documents and Related Matters. In the case of any Notice of Borrowing to fund the 2014 Non-Tendered Stockholders Payments, the DBM Tendered Stock Payments shall have been paid and all releases contemplated in connection therewith shall have been obtained (or concurrently with such funding will be paid and releases obtained) and DBM shall have provided to the Administrative Agent all agreements and other documentation, including releases, entered into in connection with the 2014 Non-Tendered Stockholders Payments which shall be reasonably satisfactory to the Administrative Agent and an Authorized Officer of DBM shall have certified that the requirements of this clause (j) have been satisfied.

(k) Officer's Certificate. The Administrative Agent shall have received a certificate of the chief financial officer of DBM certifying that the Loan Parties shall be in compliance, as of the end for the most recently ended fiscal month for which financial statements have been delivered to the Agents in accordance with Section 7.01(a)(i), both before and after giving effect to the making of such DDTF Loan, with the covenants set forth in Section 7.03 hereof, which certificate shall contain reasonably detailed calculations of the foregoing matters, and as to the matters set forth in clause (f) of this Section 5.03.

(l) Legality. The making of such DDTF Loan shall not contravene any law, rule or regulation applicable to any Secured Party.

(m) Delivery of Schuff Stockholder Litigation Documents. Agents and the Lenders shall have received at least 5 Business Days prior to the funding date certified copies of all agreements, releases and other documentation or judgments evidencing or otherwise entered into in connection with the Shareholder Litigation Settlement. The terms of the Shareholder Litigation Settlement shall be such that no funds of DBM and its Subsidiaries in excess of \$10,000,000 shall be required for the consummation of such settlement or for the payment of fees and expenses incurred in connection therewith.

(n) Officer's Certificate re: Restricted Payment. In furtherance of the satisfaction of the requirements under Section 5.03(f) hereof, Agents and the Lenders shall have received a certificate of an Authorized Officer of the Administrative Borrower evidencing compliance with Section 7.02(v) and clause (e) of the definition of "Permitted Restricted Payments", including that the Restricted Payment Available Amount Conditions are met and attaching calculations reasonably acceptable to the Administrative Agent demonstrating (I) (A) both before and after giving effect to the Restricted Payments described in clause (f) of the definition of Restricted Payment (i) Liquidity (after giving effect to all blocks on Working Capital Availability under the Working Capital Credit Agreement) is at least \$10,000,000, (ii) no Default or Event of Default

exists or would result from such Restricted Payment, (iii) the Fixed Charge Coverage Ratio of DBM and its Subsidiaries for the most recent trailing twelve month period calculated based on the most recent monthly financial statements required to have been delivered to the Administrative Agent pursuant to Section 7.01(a)(i) after giving pro forma effect to such Restricted Payment is equal to or greater than 1.10:1.00, and (iv) after giving pro forma effect to such Restricted Payment under this clause (I) the Restricted Payment Available Amount shall be greater than zero as evidenced by calculations as to the current Restricted Payment Available Amount, or (II) (A) both before and after giving effect to such Restricted Payment (i) Liquidity (after giving effect to all blocks on Working Capital Availability under the Working Capital Credit Agreement) is at least \$10,000,000, (ii) no Default or Event of Default exists or would result from such Restricted Payment, (iii) the Senior Leverage Ratio for the most recent trailing twelve month period calculated based on the most recent monthly financial statements required to have been delivered to the Administrative Agent pursuant to Section 7.01(a)(i) after giving pro forma effect to such Restricted Payment does not exceed a level 0.50x less than the level required pursuant to Section 7.03(a) as of the end of the most recent Fiscal Quarter for which financial statements were required to be delivered pursuant to Section 7.01(a)(ii) (it being understood for purposes of calculating the Senior Leverage Ratio for this clause (iii), the outstanding amount under the Working Capital Credit Agreement shall be deemed to be an amount equal to the average outstanding principal balance thereunder for the 30 day period most recently ended), (iv) prior to making any Restricted Payment pursuant to this clause (II), all Restricted Payments permitted to be made under clause (I) above shall have been made, and (v) after giving pro forma effect such Restricted Payment under this clause (II) the Restricted Payment Available Amount shall be greater than zero as evidenced by calculations as to the current Restricted Payment Available Amount.

(o) Proceedings; Receipt of Documents. All proceedings in connection with the making of such DDTF Loan and the other transactions contemplated by this Agreement and the other Loan Documents, and all documents incidental hereto and thereto, shall be reasonably satisfactory to the Agents and their counsel, and the Agents and such counsel shall have received such other agreements, instruments, approvals, opinions and other documents, each in form and substance reasonably satisfactory to the Agents, as any Agent may reasonably request. No Amendment or modification or termination of the Schuff Settlement Agreement shall have occurred without the prior written consent of the DDTF Lenders, except for amendments or modifications of a minor nature a reasonably determined by DDTF Lenders and amendments or modifications that increase the settlement payments payable under the Schuff Settlement Agreement by less than \$5,000,000.”

(l) Section 6.01(s) of the Financing Agreement is amended and restated as follows:

“(s) Use of Proceeds. The proceeds of the Term Loans made on the Effective Date shall be used (a) to partially fund the Graywolf Acquisition, (b) for the Graywolf Refinancing, and (c) to pay the costs, fees and expenses in connection relating to the Term Loan, the Graywolf Refinancing and the transactions contemplated hereby. The proceeds of the DDTF Loans shall be used solely to (A) fund the DBM Tendered Stock Payment (including any award to Plaintiff’s Counsel contemplated by Section 18 of the Schuff Settlement Agreement in connection herewith), (B) fund the 2014 Non-Tendered Stockholders Payment and (C) pay or reimburse costs, fees and expenses incurred after January 1, 2017 owing or paid to Persons other than Parent, any Loan Party

or any of their respective Affiliates relating to the DDTF, the DBM Tendered Stock Payment, the 2014 Non-Tendered Stockholders Payment and the transactions contemplated thereby; provided that, prior to the (i) Final Approval (ii) the payment of all payments required to be paid under the Schuff Settlement Agreement, including all payments required to be made to any 2014 Tendered Stockholders or 2014 Non-Tendered Stockholders, and (iii) the release of all claims as contemplated by the Schuff Settlement Agreement including all Released Plaintiff Claims thereunder (the occurrence of (i) through (iii), a “Trigger Event”); none of the proceeds of the DDTF Loan shall be used to fund any cost, fees and expenses in this clause (C); provided further, that following the Trigger Event, the proceeds of the DDTF Loans made thereafter may be used to fund other costs, fees and expenses expressly described in this clause (C) in an amount equal to the lesser of \$10,000,000 and the amount by which the DBM Tendered Stock Payments were less than \$10,000,000.”

(m) Section 7.01(a) of the Financing Agreement is hereby amended by amending and restating clauses (xii) and (xiii) thereof as follows:

“(xii) promptly (and in any event within three (3) Business Days) written notice, (A) of any amendment, modification or supplement to the Schuff Settlement Agreement, including any Exhibits thereto, or the execution or delivery of any agreement, matter, claim or release relating thereto or to the Schuff Stockholder Litigation or the other DDTF Transactions, and (B) of any filings with or by the Court in connection with the Schuff Settlement Agreement, the Schuff Stockholder Litigation or the Transactions or any agreement, matter or claim relating thereto, including any order of the Delaware Court of Chancery with respect thereto;

(xiii) promptly upon request, all information concerning the Schuff Stockholder Litigation or the other DDTF Transactions as Administrative Agent or any Lender may from time to time may reasonably request;”

(n) Section 7.01(a) of the Financing Agreement is hereby further amended by adding the following paragraph following clause (xxi) thereof:

“Notwithstanding the foregoing clauses (xii) and (xiii), in no event shall any documentation or information be required to be delivered by the Loan Parties pursuant to the preceding clauses (xii) and (xiii) of Section 7.01(a), to the extent such delivery (A) would or would reasonably be expected based on advise of outside counsel to DBM to violate any confidentiality obligation of DBM in existence as of the date hereof, or (B) would or would reasonably be expected based on the advice of outside counsel to DBM to result in a loss of an attorney-client privilege held by DBM; provided that, except for the confidentiality restrictions governing the dissemination of documents filed as confidential filings in the Schuff Stockholder Litigation, DBM represents and warrants to Agents and Lenders that no such confidentiality obligations currently exist except as separately disclosed in writing to Agents and DDTF Lenders prior to the execution and delivery of the DDTF Letter; provided further, in the event clause (A) is applicable, the Loan Parties agree to use their reasonable best efforts to obtain a waiver or exemption to such obligation (except for the confidentiality restrictions governing the dissemination of documents filed as confidential filings in the Schuff Stockholder Litigation) and in the event that either clause (A) or (B) is applicable, the Loan Parties agree to use their

reasonable best efforts to provide to Administrative Agent and Lenders all substantive and other information that is requested that is not subject to clauses (A) or (B).”

(o) Section 7.03 of the Financing Agreement is hereby amended by amending and restating clause (c) thereof in its entirety as follows:

“(c) Minimum Monthly Stop Loss. DBM will not permit the Net Loss of Borrower and its Subsidiaries on a consolidated basis to exceed \$600,000 in the aggregate in any one month or \$1,000,000 in the aggregate during any two consecutive months during any fiscal year; provided that expenses related to the DDTF Loans and/or the settlement of the Schuff Stockholder Litigation, in an amount not to exceed \$10,000,000 during the term of this Agreement, will be excluded from Net Loss for the purpose of this provision.”

1. Conditions Precedent to Effectiveness of Second Amendment.

This Second Amendment shall become effective as of the Business Day (the “**Second Amendment Effective Date**”) when each of the following conditions precedent shall have been satisfied in a manner reasonably satisfactory to the Agents (or, if a specific Agent is identified below, such Agent) and the Lenders:

(a) Payment of Fees, Etc. The Borrowers shall have paid on or before the Second Amendment Effective Date all fees, costs, and expenses then due and payable pursuant to the DDTF Letter, the DDTF Fee Letter and Section 12.04 of the Financing Agreement, including the Amendment Fee (as defined in the DDTF Fee Letter); provided that such fees, costs and expenses (other than the Amendment Fee) are invoiced to the Administrative Agent at least one (1) Business Day prior to the Second Amendment Effective Date.

(b) Representations and Warranties; No Event of Default. The following statements shall be true and correct: (i) the representations and warranties contained in Article VI of the Financing Agreement and in each other Loan Document, certificate or other writing delivered to any Secured Party pursuant hereto or thereto on or prior to the Second Amendment Effective Date are true and correct on and as of the Second Amendment Effective Date as though made on and as of such date, except to the extent that any such representation or warranty expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date) and (ii) no Designated Event of Default (as defined herein) or event which with the giving of notice or the lapse of time or both would constitute a Designated Event of Default (any such event, “**Designated Default**”) shall have occurred and be continuing on the Second Amendment Effective Date or would result from the Second Amendment or any other Loan Documents becoming effective in accordance with its or their respective terms. For purposes hereof, a “**Designated Event of Default**” means an Event of Default (i) arising from any Loan Party’s failure to pay principal or interest due on any loan (including any DDTF Loan) or any other amount under any Loan Document when due, (ii) arising under any provision of Section 7.02 of the Financing Agreement, or (iii) arising under any of clauses (a), (c)(i), (f), (g), (h), (i), (j), (k), (l), (m), (p), (q), (r), (s) or (t) of Section 9.01 of the Financing Agreement.

(c) Legality. The making of the DDTF Loans and the DDTF Transactions shall not contravene any law, rule or regulation applicable to any Secured Party.

(d) Delivery of Documents. The Collateral Agent shall have received on or before the Second Amendment Effective Date the following, each in form and substance reasonably satisfactory to the Collateral Agent and, unless indicated otherwise, dated the Second Amendment Effective Date and, if applicable, duly executed by the Persons party thereto:

i. the Second Amendment;

ii. the Intercreditor Agreement Amendment, the WCCA Amendment and all documents required to be delivered thereunder and all conditions to the effectiveness of each such agreement shall have been satisfied in a manner satisfactory to the Agents and the Working Capital Agent;

iii. a certificate of an Authorized Officer of each Loan Party, certifying (A) as to copies of the Governing Documents of such Loan Party, together with all amendments thereto (including, without limitation, a true and complete copy of the charter, certificate of formation, certificate of limited partnership or other publicly filed organizational document of each Loan Party certified as of a recent date not more than 30 days prior to the Second Amendment Effective Date (or such other date as the Administrative Agent shall have agreed to in its sole discretion) by an appropriate official of the jurisdiction of incorporation or organization, as applicable, of such Loan Party); provided that, with respect to the requirement to deliver Governing Documents, an Authorized Officer of the applicable Loan Party may certify to the Agents that there has been no change to the Governing Documents of such Loan Party from the most recent copies delivered to the Agents in lieu of delivery of a certified copy thereof; (B) as to a copy of the resolutions or written consents of such Loan Party authorizing (1) the borrowings under the DDTF and the other DDTF Transactions, and (2) the execution, delivery and performance by such Loan Party of each Loan Document to which such Loan Party is or will be a party in connection with the DDTF and the execution and delivery of the other documents to be delivered by such Person in connection herewith and therewith, (C) the names and true signatures of the representatives of such Loan Party authorized to sign each Loan Document in connection with the DDTF (in the case of a Borrower, including, without limitation, Notices of Borrowing, LIBOR Notices and all other notices under the Financing Agreement and the other Loan Documents) to which such Loan Party is or will be a party and the other documents to be executed and delivered by such Loan Party in connection herewith and therewith, together with evidence of the incumbency of such authorized officers and (D) as to the matters set forth in clause (b) of this Section 4;

iv. a certificate of the chief financial officer of DBM and the Authorized Officer of each Loan Party, certifying as to the solvency of the Loan Parties on a consolidated basis (after giving effect to any DDTF Loans (if any) made on the Second Amendment Effective Date and the payment of all fees, costs and expenses incurred in connection with the DDTF Transactions);

v. a certificate of an Authorized Officer of the Company certifying that (A) the Schuff Settlement Agreement in the form attached as Exhibit B to the DDTF Letter together with all exhibits and attachments thereto has not been amended, modified or supplements and no other agreements and other documentation or judgments exist evidencing or have otherwise been entered into in connection with the Schuff Stockholder Litigation, and (B) the Schuff Settlement

Agreement remains in full force and effect and that none of the Loan Parties or the Parent has breached or defaulted in any of its obligations under such agreements;

vi. certificate of the appropriate official(s) of the jurisdiction of organization or incorporation, as applicable, of each Loan Party certifying as of a recent date not more than 30 days prior to the Second Amendment Effective Date (or such other date as the Administrative Agent shall have agreed to in its sole discretion) as to the good standing of such Loan Party in such jurisdictions;

vii. opinions of Greenberg Traurig, LLP, counsel to the Loan Parties, as to (x) due authorization, execution and delivery of this Amendment and the Intercreditor Amendment Agreement by the Loan Parties (other than the Kentucky Loan Parties), (y) the enforceability of this Amendment and the Intercreditor Amendment Agreement against the Loan Parties, and (y) such other matters as the Collateral Agent may reasonably request; and

viii. such other agreements, instruments, approvals, opinions and other documents, each reasonably satisfactory to the Agents in form and substance, as any Agent may reasonably request a reasonable time prior to the Second Amendment Effective Date.

(e) Working Capital Loan. On the Second Amendment Effective Date, (i) there shall be no breach of any material term or condition of the Working Capital Loan Documents, (ii) neither the Loan Parties nor any other Person party to the Working Capital Loan Documents shall be in default in the performance or compliance with any of the provisions of the Working Capital Loan Documents, (iii) the Working Capital Loan Documents shall be in full force and effect and not be terminated, rescinded or withdrawn, and (iv) the outstanding principal balance of the Working Capital Loans shall not exceed the limit set forth in the Intercreditor Agreement.

(f) Approvals. All consents, authorizations and approvals of, and filings and registrations with, and all other actions in respect of, any Governmental Authority or other Person required in connection with (i) the making of the DDTF Loans, (ii) the execution, delivery and performance of the Transaction Documents and (iii) the conduct of the Loan Parties' business shall have been obtained and shall be in full force and effect.

(g) Proceedings; Receipt of Documents. All proceedings in connection with the making of the DDTF Loans and the other transactions contemplated by the DDTF Transactions and the other Loan Documents entered into in connection with DDTF, and all documents incidental hereto and thereto, shall be reasonably satisfactory to the Agents and its counsel. No amendment or modification of the Schuff Settlement Agreement shall have occurred without the prior written consent of the DDTF Lenders, except for amendments or modifications of a minor nature as reasonably determined by DDTF Lenders and amendments or modifications that increase the settlement payments payable under the Schuff Settlement Agreement by less than \$5,000,000.

(h) KYC. The Administrative Agent and the Lenders shall have received (i) at least one Business Day before the Second Amendment Effective Date, all documentation and other information about the Loan Parties and their Subsidiaries that shall have been reasonably requested by the Administrative Agent or the Lenders in writing at least five (5) Business Days prior to the Second Amendment Effective Date and that the Administrative Agent and the

Lenders reasonably determine is required by applicable regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the PATRIOT Act (provided that such information shall, to the extent requested at least ten (10) Business Days prior to the Second Amendment Effective Date, have been provided at least three (3) Business Days prior to the Second Amendment Effective Date) and (ii) at least ten (10) Business Days prior to the Second Amendment Effective Date, a Beneficial Ownership Certification in relation to each Borrower for each Lender that so requests at least fifteen (15) Business Days prior to the Second Amendment Effective Date.

5. Waiver. The Agents and Lenders hereby waive the Event of Default that arose as a result of the Loan Parties’ failure to deliver the monthly financial statements for the month ended December 31, 2019 required by Section 7.01(a)(i) of the Financing Agreement on or before the deadline required under Section 7.01(a)(i) of the Financing Agreement (“**Specified Event of Default**”); provided, that nothing herein, nor any communications among any Loan Party, Agent or Lender, shall be deemed a waiver with respect to any Events of Default (other than the Specified Event of Default), or any future failure of any Loan Party to comply fully with any provision of the Financing Agreement or any provision of any other Loan Document, and in no event shall this waiver be deemed to be a waiver of enforcement of any of the Agents’ or Lenders’ rights or remedies under the Financing Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare the Loans and all other Obligations immediately due and payable pursuant to Section 8.01 of the Financing Agreement, in each case with respect to any other Defaults or Events of Default now existing or hereafter arising. Except as expressly provided herein, the Agents and Lenders hereby reserve and preserve all of their rights and remedies against any Loan Party under the Financing Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare the Loans and all other Obligations immediately due and payable pursuant to Section 8.01 of the Financing Agreement.

6. Representations and Warranties; No Default. Each Loan Party represents and warrants that after giving effect to this Amendment (a) the representations and warranties made by the Loan Parties in each Loan Document are true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties are true and correct in all respects) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date, and (b) no Default or Event of Default has occurred and is continuing or would result from the initial Borrowing under the DDTF Commitments.

7. Reaffirmation of Obligations. Each Loan Party (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge such Loan Party’s obligations under the Loan Documents.

8. Reaffirmation of Security Interests. Each Loan Party (a) affirms that each of the Liens granted in or pursuant to the Loan Documents are valid and subsisting and (b) agrees that this

Amendment shall in no manner impair or otherwise adversely affect any of the Liens granted in or pursuant to the Loan Documents.

9. Loan Document. This Amendment is a Loan Document and all references to a “Loan Document” in the Financing Agreement and the other Loan Documents (including, without limitation, all such references in the representations and warranties in the Financing Agreement and the other Loan Documents) shall be deemed to include this Amendment.

10. No Other Changes. Except as modified hereby, all of the terms and provisions of the Loan Documents shall remain in full force and effect.

11. Release.

(a) Effective on the date hereof, each Loan Party, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges each Agent, each Lender, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of any Agent or Lender would be liable if such persons or entities were found to be liable to such Loan Party (each a “**Releasee**” and collectively, the “**Releasees**”), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a “**Claim**” and collectively, the “**Claims**”), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, occurring prior to the date hereof which relates, directly or indirectly to the Financing Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Financing Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Loan party hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

As to each and every Claim released hereunder, each Loan Party also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of Arizona), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Loan Party acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Loan Party, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by such Person pursuant to the above release. Each Loan Party further agrees that it shall not dispute the validity or enforceability of the Financing Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of the Lender's Lien on any item of Collateral under the Financing Agreement or the other Loan Documents. If any Loan Party or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by such Releasee as a result of such violation.

13. Counterparts; Delivery. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of this Amendment by facsimile or other electronic imaging means shall be effective as an original.

14. Governing Law; Waiver of Jury Trial. THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK.

EACH LOAN PARTY, EACH AGENT AND EACH LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AMENDMENT OR THE OTHER LOAN DOCUMENTS, OR UNDER ANY AMENDMENT, WAIVER, CONSENT, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION THEREWITH, OR ARISING FROM ANY FINANCING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AMENDMENT, AND AGREES THAT ANY SUCH ACTION, PROCEEDINGS OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH LOAN PARTY CERTIFIES THAT NO OFFICER, REPRESENTATIVE, AGENT OR ATTORNEY OF ANY AGENT OR ANY LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT ANY AGENT OR ANY LENDER WOULD NOT, IN THE EVENT OF

ANY ACTION, PROCEEDING OR COUNTERCLAIM, SEEK TO ENFORCE THE FOREGOING WAIVERS. EACH LOAN PARTY HEREBY ACKNOWLEDGES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE AGENTS AND THE LENDERS ENTERING INTO THIS AMENDMENT.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Second Amendment to Financing Agreement to be duly executed and delivered as of the date first written above.

BORROWERS:

DBM GLOBAL INC., a Delaware corporation, formerly known as Schuff International, Inc.

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL COMPANY, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL - ATLANTIC, LLC, a Florida limited liability company

By: Schuff Steel Company, a Delaware corporation, its Managing Member

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

AITKEN MANUFACTURING INC., a Delaware corporation, formerly known as Schuff Steel - Gulf Coast, Inc.

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

DBM GLOBAL-NORTH AMERICA INC., a Delaware corporation, formerly known as Schuff Holding Co.

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: President

CB-HORN HOLDINGS, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

GRAYWOLF INDUSTRIAL, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

GRAYWOLF INTEGRATED CONSTRUCTION COMPANY, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

TITAN FABRICATORS, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

[DBM - Second Amendment to Financing Agreement]

M. INDUSTRIAL MECHANICAL, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

MILCO NATIONAL CONSTRUCTORS, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

INCO SERVICES, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

[DBM - Second Amendment to Financing Agreement]

GUARANTORS:

ON-TIME STEEL MANAGEMENT HOLDING, INC., a Delaware corporation

BY /s/ Michael R. Hill

NAME: Michael R. Hill

TITLE: Vice President and Chief Financial Officer

SCHUFF STEEL MANAGEMENT COMPANY - SOUTHWEST, INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF PREMIER SERVICES LLC, a Delaware limited liability company

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Manager

DBM GLOBAL HOLDINGS INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: President

PDC SERVICES (USA) INC., a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: President

MIDWEST ENVIRONMENTAL, INC., a Kentucky corporation

**COLLATERAL AGENT AND
ADMINISTRATIVE AGENT:**

TCW ASSET MANAGEMENT COMPANY
LLC

By: /s/ Suzanne Grosso

Name: Suzanne Grosso

Title: Managing Director

[DBM - Second Amendment to Financing Agreement]

DDTF LENDERS AND LENDERS:

TCW DL VII Financing LLC

By: TCW Asset Management Company LLC,
its Collateral Manager

By: /s/ Suzanne Grosso

Name: Suzanne Grosso

Title: Managing Director

[DBM - Second Amendment to Financing Agreement]

West Virginia Direct Lending LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: /s/ Suzanne Grosso
Name: Suzanne Grosso
Title: Managing Director

TCW Skyline Lending, L.P.
By: TCW Asset Management Company LLC,
its Investment Advisor

By: /s/ Suzanne Grosso
Name: Suzanne Grosso
Title: Managing Director

TCW Brazos Fund LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: /s/ Suzanne Grosso
Name: Suzanne Grosso
Title: Managing Director

NJ/TCW Direct Lending LLC
By: TCW Asset Management Company LLC,
its Investment Advisor

By: /s/ Suzanne Grosso
Name: Suzanne Grosso
Title: Managing Director

LENDERS:

BTC HOLDINGS FUND I, LLC

By: Blue Torch Credit Opportunities Fund I LP, its sole member

By: Blue Torch Credit Opportunities GP LLC, its general partner

By: /s/ Kevin Genda

Name: Kevin Genda

Title: CEO

BTC HOLDINGS SC FUND LLC

By: Blue Torch Credit Opportunities SC Master Fund LP, its sole member

By: Blue Torch Credit Opportunities SC GP LLC, its General Partner

By: /s/ Kevin Genda

Name: Kevin Genda

Title: CEO

Schedule I

DDTF Lenders and DDTF Commitments

<u>DDTF Lenders</u>	<u>DDTF Commitments</u>
TCW DL VII Financing LLC	\$ 7,804,772.97
NJ/TCW Direct Lending LLC	\$ 970,104.25
West Virginia Direct Lending LLC	\$ 349,419.69
TCW Skyline Lending, L.P.	\$ 493,421.46
TCW Brazos Fund LLC	\$ 382,281.63
Total	\$10,000,000.00

EXHIBIT A

Working Capital Credit Agreement Amendment

(Attached)

OMM_US:77456707

**SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED
CREDIT AND SECURITY AGREEMENT**

THIS SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (this "Amendment"), dated as of April [___], 2020, is entered into by and among **DBM GLOBAL INC.**, a Delaware corporation, formerly known as Schuff International, Inc. ("DBM Global"), the other Persons identified in Schedule 1.1 to the below-defined Credit Agreement (together with DBM Global, collectively, jointly and severally, the "Borrower"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, successor in interest to Wells Fargo Credit, LLC, formerly known as Wells Fargo Credit, Inc. (the "Lender"), and in light of the following:

WITNESSETH

WHEREAS, the Borrower and the Lender are parties to that certain Fourth Amended and Restated Credit and Security Agreement, dated as of November 30, 2018 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Borrower has requested that the Lender make certain amendments to the Credit Agreement; and

WHEREAS, upon the terms and conditions set forth herein, the Lender is willing to make certain amendments to the Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. All initially capitalized terms used herein (including the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Credit Agreement.

2. Amendments to Credit Agreement. Effective as of the Second Amendment Effective Date (as defined below), and subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended, along with those certain schedules and exhibits to the Credit Agreement (as so amended, the "Amended Credit Agreement"), as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the proviso of the definition of "Fixed Charge Coverage Ratio" as follows:

provided, that any such dividends or distributions that are made pursuant to (x) subclause (ii) of the second to last sentence of Section 6.7(a) or (y) the last sentence of Section 6.7(a), shall not in either case constitute "Fixed Charges" for purposes of calculating the Fixed Charge Coverage Ratio to determine Borrower's compliance with Section 6.2 of this Agreement

(b) Section 1.1 of the Credit Agreement is hereby amended by amending and restating clause (xii) of the definition of "Consolidated EBITDA" as follows:

(xii) (A) any adjustments agreed to in a writing expressly referring to this clause (xii) by Lender and Borrower or (B) expenses funded with proceeds of the DDTL that are related to the DDTL and/or the settlement of the Schuff Stockholder Litigation, in an amount (together

with the amount of any dividends made using the proceeds of the DDTL) not to exceed \$10,000,000 during the term of the Agreement,

(c) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the following definitions in their entirety:

"Daily Three Month LIBOR" means for any day, the rate of interest equal to LIBOR then in effect for delivery for a three (3) month period. When interest is determined in relation to Daily Three Month LIBOR, each change in the interest rate shall become effective each business day that Lender determines that Daily Three Month LIBOR has changed. If such rate of interest is below 0.75%, then the rate determined pursuant to this definition shall be deemed to be 0.75%.

"Floating Rate" means, with respect to all Advances an interest rate equal to the sum of (i) Daily Three Month LIBOR, which interest rate shall change whenever Daily Three Month LIBOR changes, plus (ii) the Margin Amount.

"Term Loan Maximum Amount" means the "Maximum Term Principal Obligations" as defined in the Intercreditor Agreement (as in effect on the date hereof or as amended pursuant to an amendment agreed to in writing by the Lender and the Term Loan Agent (including that certain Second Amendment to Intercreditor Agreement dated as of the Second Amendment Effective Date)).

(d) Section 1.1 of the Credit Agreement is hereby further amended by adding each of the following defined terms in appropriate alphabetical order:

"DDTL" means the delayed draw term loan of up to \$10,000,000 provided under the Term Loan Credit Agreement on the Second Amendment Effective Date.

"Margin Amount" means, (a) if the financial statements of the Borrower and its Subsidiaries in accordance with Section 6.1(a) or Section 6.1(b) for the four fiscal quarter period of the Borrower and its Subsidiaries most recently ended demonstrate that the Senior Leverage Ratio of the Borrower and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is less than 2:50:1.00, 1.75% per annum, and (b) if the financial statements of the Borrower and its Subsidiaries in accordance with Section 6.1(a) or Section 6.1(b) for the four fiscal quarter period of the Borrower and its Subsidiaries most recently ended demonstrate that the Senior Leverage Ratio of the Borrower and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is equal to or greater than 2:50:1.00, 2.00% per annum. Any changes to the Margin Amount pursuant to clause (a) or (b) above shall take effect two (2) Business Days after the applicable financial statements are delivered or the funding of such DDTL occurs, as the case may be; provided that, if the Borrowers fail to deliver on a timely basis such financial statements as required under Section 6.1(a) or Section 6.1(b), the Margin Amount shall be as set forth in clause (b) hereof; provided further, that any change in the Margin Amount from the rates set forth in clause (a) above to the rates set forth in clause (b) above shall not take effect until two (2) Business Days after the later of (i) the date on which the applicable financial statements in accordance with Section 6.1(a) or Section 6.1(b) are due, and (ii) the date on which such financial statements are actually delivered. Notwithstanding the foregoing, in the event that any financial statement or calculation described in the foregoing proviso is inaccurate (regardless of whether the Agreement is in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the Margin Amount being calculated in accordance with clause (b) above, then the Margin Amount for such period shall be adjusted retroactively (to the effective

date of the increase of the Margin Amount that was based upon the delivery of such inaccurate financial statement or calculation) to reflect the correct Margin Amount, and the Borrower shall promptly make payments to the Lender to reflect such adjustment.

“Schuff Stockholder Litigation” means the class-action lawsuit brought by shareholders of DBM Global challenging the tender offer for the shares of DBM Global that closed on October 6, 2014.

“Second Amendment Effective Date” means the effective date of the Second Amendment to the Fourth Amended and Restated Credit and Security Agreement.

(e) Section 6.2(c) of the Credit Agreement is hereby amended by amending and restating in its entirety as follows:

(c) **Minimum Monthly Stop Loss.** The Borrower will not permit the Net Loss of Borrower and its Subsidiaries on a consolidated basis to exceed \$600,000.00 in the aggregate in any one month or \$1,000,000.00 in the aggregate during any two consecutive months during any fiscal year; provided that expenses related to the DDTL and/or the settlement of the Schuff Stockholder Litigation, in an amount (together with the amount of any dividends made using the proceeds of the DDTL) not to exceed \$10,000,000 during the term of the Agreement, will be excluded from Net Loss for the purpose of this provision.

(f) Section 6.7(a) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

In addition, on or about the date of the funding of the DDTL under the Term Loan Credit Agreement, a portion of the proceeds of the DDTL may be used by the Borrower to declare and make a dividend or distribution to its shareholders to pay liabilities and expenses associated with the Schuff Stockholder Litigation so long as such dividend or distribution and the use of the proceeds of the DDTL are expressly permitted under the Term Loan Credit Agreement as in effect as of the Second Amendment Effective Date.

3. Waiver of Appraisals. The Lender waives any requirement that appraisals of Inventory and Equipment shall have occurred for the fiscal year ended December 31, 2019. The Borrower agrees that Lender will conduct appraisals on Inventory and Equipment, at the expense of the Borrower, in the fourth quarter of 2020.

4. Waiver of Event of Default. The Lender hereby waives the Event of Default that arose as a result of the Borrower’s failure to deliver the December Monthly Financial Statement on or before the deadline required under Section 6.1(b) of the Credit Agreement (“Specified Event of Default”); provided, that nothing herein, nor any communications among any Loan Party or Lender, shall be deemed a waiver with respect to any Events of Default (other than the Specified Event of Default), or any future failure of any Loan Party to comply fully with any provision of the Credit Agreement or any provision of any other Loan Document, and in no event shall this waiver be deemed to be a waiver of enforcement of any the Lender’s rights or remedies under the Credit Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 7.1 of the Loan Agreement, in each case with respect to any other Defaults or Events of Default now existing or hereafter arising. Except as expressly provided herein, the Lender hereby reserves and preserves all of its rights and remedies against

any Loan Party under the Credit Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 7.1 of the Loan Agreement.

5. Conditions Precedent to Amendment. The satisfaction (or waiver in writing by the Lender) of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the “Second Amendment Effective Date”):

(a) The Lender shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) After giving effect to this Amendment, the representations and warranties contained herein, in the Credit Agreement, and in the other Loan Documents, in each case shall be true and correct in all material respects on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date).

(c) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Person comprising the Borrower, any Guarantor, or the Lender.

(d) No Default or Event of Default shall have occurred and be continuing as of the Second Amendment Effective Date, nor shall either result from the consummation of the transactions contemplated herein.

(e) The Borrower shall pay all fees, costs, expenses and taxes then payable pursuant to the Credit Agreement and Sections 7 and 8 of this Amendment.

(f) The Lender shall have received, in immediately available funds, the Amendment Fee referred to in Section 8 hereof.

(g) The Lender shall have received (i) the Second Amendment Financing Agreement, of even date herewith (the “Second Amendment to Term Loan Credit Agreement”), which amends the Term Loan Credit Agreement and (ii) an amendment to the Intercreditor Agreement, each in form and substance satisfactory to the Lender and duly executed and delivered by the parties thereto.

(h) The “Second Amendment Effective Date” (as defined in the Second Amendment to Term Loan Credit Agreement) shall have occurred.

(i) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to the Lender.

6. Representations and Warranties. Each Person comprising the Borrower hereby represents and warrants to the Lender as follows:

(a) It (i) is a corporation, or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of the State specified in Schedule 1.1 to the Credit Agreement and is duly licensed and qualified to transact business in all jurisdictions where the character

of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary except where failure to be licensed or qualified would not have a material adverse effect on the financial conditions, properties or operations of such Person, and (ii) has all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under this Amendment and the other Loan Documents to which it is a party.

(b) The execution, delivery, and performance by it of this Amendment and the performance by it of each Loan Document to which it is or will be a party (i) have been duly authorized by all necessary action, and (ii) do not and will not (A) require any consent or approval of its Owners; (B) require any authorization, consent or approval by, or registration, declaration or filing with, or notice to, any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any third party, except such authorization, consent, approval, registration, declaration, filing or notice as has been obtained, accomplished or given prior to the date hereof; (C) violate any provision of any law, rule or regulation (including Regulation X of the Board of Governors of the Federal Reserve System), or of any order, writ, injunction or decree presently in effect having applicability to such Person or such Person's Constituent Documents; (D) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which such Person is a party or by which it or its properties may be bound or affected; or (E) result in, or require, the creation or imposition of any Lien (other than the Security Interest) upon or with respect to any of the properties now owned or hereafter acquired by such Person.

(c) This Amendment is, and each other Loan Document to which it is or will be a party, when executed and delivered by each Person that is a party thereto, will be the legally valid and binding obligation of such Person, enforceable against such Person in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

(d) No Default or Event of Default has occurred and is continuing as of the Second Amendment Effective Date, and no condition exists which constitutes a Default or an Event of Default.

(e) The representations and warranties set forth in this Amendment, the Credit Agreement, as amended by this Amendment and after giving effect to this Amendment, and the other Loan Documents to which it is a party are true and correct in all material respects on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date).

(f) This Amendment has been entered into without force or duress, of the free will of each Person comprising the Borrower, and the decision of each Person comprising the Borrower to enter into this Amendment is a fully informed decision and such Person is aware of all legal and other ramifications of each decision.

(g) It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder.

7. Payment of Costs and Fees. The Borrower shall pay to the Lender all costs and expenses (including, without limitation, the reasonable fees and expenses of any attorneys retained by the Lender)

in connection with the preparation, negotiation, execution and delivery of this Amendment and any documents and instruments relating hereto.

8. Amendment Fee. On or before the date hereof, the Borrower shall pay to the Lender an amendment fee in the amount of \$25,000 ("Amendment Fee") in immediately available funds, which Amendment Fee shall be retained by the Lender. Such Amendment Fee shall be fully earned and non-refundable on the date hereof.

9. Release.

(a) Effective on the date hereof, each person comprising the Borrower, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges the Lender, each of its Affiliates, and each of its successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lender would be liable if such persons or entities were found to be liable to such Person comprising the Borrower (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, occurring prior to the date hereof which relates, directly or indirectly to the Credit Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Credit Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Person comprising the Borrower hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

As to each and every Claim released hereunder, each Person comprising the Borrower also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of Arizona), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Person comprising the Borrower acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Person comprising the Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as

a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Person comprising the Borrower, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by such Person pursuant to the above release. Each Person comprising the Borrower further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of the Lender's Lien on any item of Collateral under the Credit Agreement or the other Loan Documents. If any Person comprising the Borrower or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by such Releasee as a result of such violation.

10. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION. THIS AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE PROVISION SET FORTH IN SECTION 8.13 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.

11. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect except in accordance with Section 8.2 of the Credit Agreement.

12. Counterpart Execution. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Amendment. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

13. Effect on Loan Documents.

(a) The Credit Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of the Lender under the Credit Agreement or any other Loan Document. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect. The waivers, consents and modifications set forth herein are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the

same are based, shall neither excuse any future non-compliance with the Loan Documents nor operate as a waiver of any Default or Event of Default, shall not operate as a consent to any further waiver, consent or amendment or other matter under the Loan Documents, and shall not be construed as an indication that any future waiver or amendment of covenants or any other provision of the Credit Agreement will be agreed to, it being understood that the granting or denying of any waiver or amendment which may hereafter be requested by the Borrower remains in the sole and absolute discretion of the Lender. To the extent that any terms or provisions of this Amendment conflict with those of the Credit Agreement or the other Loan Documents, the terms and provisions of this Amendment shall control.

(b) Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

(c) To the extent that any of the terms and conditions in any of the Loan Documents shall contradict or be in conflict with any of the terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

(d) This Amendment is a Loan Document.

(e) **THIS AMENDMENT SHALL BE SUBJECT TO THE RULES OF CONSTRUCTION SET FORTH IN SECTION 1.2 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.**

14. Entire Agreement. This Amendment, and the terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

15. Integration. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

16. Reaffirmation of Obligations. Each Person comprising the Borrower hereby (a) acknowledges and reaffirms its obligations owing to the Lender under each Loan Document to which it is a party, and (b) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Each Person comprising the Borrower hereby (i) further ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in connection with the Security Documents or any other Loan Document to the Lender as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Amendment).

17. Ratification. Each Person comprising the Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and the Loan Documents effective as of the date hereof and as modified hereby.

18. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

“Borrowers”

DBM GLOBAL INC., a Delaware corporation,
formerly known as Schuff International, Inc.

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL COMPANY, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL - ATLANTIC, LLC, a Florida
limited liability company

By: Schuff Steel Company, a Delaware corporation, its Managing
Member

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

AITKEN MANUFACTURING INC., a Delaware corporation, formerly known as Schuff Steel - Gulf Coast, Inc.

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

ON-TIME STEEL MANAGEMENT HOLDING, INC., a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President and Chief Financial Officer

DBM GLOBAL-NORTH AMERICA INC., a Delaware corporation, formerly known as Schuff Holding Co.

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

SCHUFF STEEL MANAGEMENT COMPANY - SOUTHWEST, INC., a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President and Chief Financial Officer

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

SCHUFF PREMIER SERVICES LLC, a
Delaware limited liability company

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Manager

DBM GLOBAL HOLDINGS INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

PDC SERVICES (USA) INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

CB-HORN HOLDINGS, INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

GRAYWOLF INDUSTRIAL, INC., a
Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

GRAYWOLF INTEGRATED CONSTRUCTION COMPANY,
a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

TITAN FABRICATORS, INC., a Kentucky corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

MIDWEST ENVIRONMENTAL, INC., a Kentucky
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

MILCO NATIONAL CONSTRUCTORS, INC., a
Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

Title: Vice President

M. INDUSTRIAL MECHANICAL, INC., a
Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

INCO SERVICES, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

“Lender”

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: /s/ Amber Vestal

Name: Amber Vestal

Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

**SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED
CREDIT AND SECURITY AGREEMENT**

THIS SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT (this "Amendment"), dated as of April [___], 2020, is entered into by and among **DBM GLOBAL INC.**, a Delaware corporation, formerly known as Schuff International, Inc. ("DBM Global"), the other Persons identified in Schedule 1.1 to the below-defined Credit Agreement (together with DBM Global, collectively, jointly and severally, the "Borrower"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, successor in interest to Wells Fargo Credit, LLC, formerly known as Wells Fargo Credit, Inc. (the "Lender"), and in light of the following:

WITNESSETH

WHEREAS, the Borrower and the Lender are parties to that certain Fourth Amended and Restated Credit and Security Agreement, dated as of November 30, 2018 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Borrower has requested that the Lender make certain amendments to the Credit Agreement; and

WHEREAS, upon the terms and conditions set forth herein, the Lender is willing to make certain amendments to the Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. All initially capitalized terms used herein (including the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in the Credit Agreement.

2. Amendments to Credit Agreement. Effective as of the Second Amendment Effective Date (as defined below), and subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended, along with those certain schedules and exhibits to the Credit Agreement (as so amended, the "Amended Credit Agreement"), as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the proviso of the definition of "Fixed Charge Coverage Ratio" as follows:

provided, that any such dividends or distributions that are made pursuant to (x) subclause (ii) of the second to last sentence of Section 6.7(a) or (y) the last sentence of Section 6.7(a), shall not in either case constitute "Fixed Charges" for purposes of calculating the Fixed Charge Coverage Ratio to determine Borrower's compliance with Section 6.2 of this Agreement

(b) Section 1.1 of the Credit Agreement is hereby amended by amending and restating clause (xii) of the definition of "Consolidated EBITDA" as follows:

(xii) (A) any adjustments agreed to in a writing expressly referring to this clause (xii) by Lender and Borrower or (B) expenses funded with proceeds of the DDTL that are related to the DDTL and/or the settlement of the Schuff Stockholder Litigation, in an amount (together with the amount of any dividends made using the proceeds of the DDTL) not to exceed \$10,000,000 during the term of the Agreement,

(c) Section 1.1 of the Credit Agreement is hereby amended by amending and restating the following definitions in their entirety:

"Daily Three Month LIBOR" means for any day, the rate of interest equal to LIBOR then in effect for delivery for a three (3) month period. When interest is determined in relation to Daily Three Month LIBOR, each change in the interest rate shall become effective each business day that Lender determines that Daily Three Month LIBOR has changed. If such rate of interest is below 0.75%, then the rate determined pursuant to this definition shall be deemed to be 0.75%.

"Floating Rate" means, with respect to all Advances an interest rate equal to the sum of (i) Daily Three Month LIBOR, which interest rate shall change whenever Daily Three Month LIBOR changes, plus (ii) the Margin Amount.

"Term Loan Maximum Amount" means the "Maximum Term Principal Obligations" as defined in the Intercreditor Agreement (as in effect on the date hereof or as amended pursuant to an amendment agreed to in writing by the Lender and the Term Loan Agent (including that certain Second Amendment to Intercreditor Agreement dated as of the Second Amendment Effective Date)).

(d) Section 1.1 of the Credit Agreement is hereby further amended by adding each of the following defined terms in appropriate alphabetical order:

"DDTL" means the delayed draw term loan of up to \$10,000,000 provided under the Term Loan Credit Agreement on the Second Amendment Effective Date.

"Margin Amount" means, (a) if the financial statements of the Borrower and its Subsidiaries in accordance with Section 6.1(a) or Section 6.1(b) for the four fiscal quarter period of the Borrower and its Subsidiaries most recently ended demonstrate that the Senior Leverage Ratio of the Borrower and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is less than 2:50:1.00, 1.75% per annum, and (b) if the financial statements of the Borrower and its Subsidiaries in accordance with Section 6.1(a) or Section 6.1(b) for the four fiscal quarter period of the Borrower and its Subsidiaries most recently ended demonstrate that the Senior Leverage Ratio of the Borrower and its Subsidiaries as of the end of such four fiscal quarter period or as of such funding date, is equal to or greater than 2:50:1.00, 2.00% per annum. Any changes to the Margin Amount pursuant to clause (a) or (b) above shall take effect two (2) Business Days after the applicable financial statements are delivered or the funding of such DDTL occurs, as the case may be; provided that, if the Borrowers fail to deliver on a timely basis such financial statements as required under Section 6.1(a) or Section 6.1(b), the Margin Amount shall be as set forth in clause (b) hereof; provided further, that any change in the Margin Amount from the rates set forth in clause (a) above to the rates set forth in clause (b) above shall not take effect until two (2) Business Days after the later of (i) the date on which the applicable financial statements in accordance with Section 6.1(a) or Section 6.1(b) are due, and (ii) the date on which such financial statements are actually delivered. Notwithstanding the foregoing, in the event that any financial statement or calculation described in the foregoing proviso is inaccurate (regardless of whether the Agreement is in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the Margin Amount being calculated in accordance with clause (b) above, then the Margin Amount for such period shall be adjusted retroactively (to the effective date of the increase of the Margin Amount that was based upon the delivery of such inaccurate financial statement or calculation) to reflect the correct Margin Amount, and the Borrower shall promptly make payments to the Lender to reflect such adjustment.

“Schuff Stockholder Litigation” means the class-action lawsuit brought by shareholders of DBM Global challenging the tender offer for the shares of DBM Global that closed on October 6, 2014.

“Second Amendment Effective Date” means the effective date of the Second Amendment to the Fourth Amended and Restated Credit and Security Agreement.

(e) Section 6.2(c) of the Credit Agreement is hereby amended by amending and restating in its entirety as follows:

(c) **Minimum Monthly Stop Loss.** The Borrower will not permit the Net Loss of Borrower and its Subsidiaries on a consolidated basis to exceed \$600,000.00 in the aggregate in any one month or \$1,000,000.00 in the aggregate during any two consecutive months during any fiscal year; provided that expenses related to the DDTL and/or the settlement of the Schuff Stockholder Litigation, in an amount (together with the amount of any dividends made using the proceeds of the DDTL) not to exceed \$10,000,000 during the term of the Agreement, will be excluded from Net Loss for the purpose of this provision.

(f) Section 6.7(a) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

In addition, on or about the date of the funding of the DDTL under the Term Loan Credit Agreement, a portion of the proceeds of the DDTL may be used by the Borrower to declare and make a dividend or distribution to its shareholders to pay liabilities and expenses associated with the Schuff Stockholder Litigation so long as such dividend or distribution and the use of the proceeds of the DDTL are expressly permitted under the Term Loan Credit Agreement as in effect as of the Second Amendment Effective Date.

3. Waiver of Appraisals. The Lender waives any requirement that appraisals of Inventory and Equipment shall have occurred for the fiscal year ended December 31, 2019. The Borrower agrees that Lender will conduct appraisals on Inventory and Equipment, at the expense of the Borrower, in the fourth quarter of 2020.

4. Waiver of Event of Default. The Lender hereby waives the Event of Default that arose as a result of the Borrower’s failure to deliver the December Monthly Financial Statement on or before the deadline required under Section 6.1(b) of the Credit Agreement (“Specified Event of Default”); provided, that nothing herein, nor any communications among any Loan Party or Lender, shall be deemed a waiver with respect to any Events of Default (other than the Specified Event of Default), or any future failure of any Loan Party to comply fully with any provision of the Credit Agreement or any provision of any other Loan Document, and in no event shall this waiver be deemed to be a waiver of enforcement of any the Lender’s rights or remedies under the Credit Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 7.1 of the Loan Agreement, in each case with respect to any other Defaults or Events of Default now existing or hereafter arising. Except as expressly provided herein, the Lender hereby reserves and preserves all of its rights and remedies against any Loan Party under the Credit Agreement and the other Loan Documents, at law (including under the UCC), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 7.1 of the Loan Agreement.

5. Conditions Precedent to Amendment. The satisfaction (or waiver in writing by the Lender) of each of the following shall constitute conditions precedent to the effectiveness of the Amendment (such date being the “Second Amendment Effective Date”):

(a) The Lender shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) After giving effect to this Amendment, the representations and warranties contained herein, in the Credit Agreement, and in the other Loan Documents, in each case shall be true and correct in all material respects on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date).

(c) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Person comprising the Borrower, any Guarantor, or the Lender.

(d) No Default or Event of Default shall have occurred and be continuing as of the Second Amendment Effective Date, nor shall either result from the consummation of the transactions contemplated herein.

(e) The Borrower shall pay all fees, costs, expenses and taxes then payable pursuant to the Credit Agreement and Sections 7 and 8 of this Amendment.

(f) The Lender shall have received, in immediately available funds, the Amendment Fee referred to in Section 8 hereof.

(g) The Lender shall have received (i) the Second Amendment Financing Agreement, of even date herewith (the “Second Amendment to Term Loan Credit Agreement”), which amends the Term Loan Credit Agreement and (ii) an amendment to the Intercreditor Agreement, each in form and substance satisfactory to the Lender and duly executed and delivered by the parties thereto.

(h) The “Second Amendment Effective Date” (as defined in the Second Amendment to Term Loan Credit Agreement) shall have occurred.

(i) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered, executed, or recorded and shall be in form and substance reasonably satisfactory to the Lender.

6. Representations and Warranties. Each Person comprising the Borrower hereby represents and warrants to the Lender as follows:

(a) It (i) is a corporation, or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of the State specified in Schedule 1.1 to the Credit Agreement and is duly licensed and qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary except where failure to be licensed or qualified would not have a material adverse effect on the financial conditions, properties or operations of such Person, and (ii) has all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under this Amendment and the other Loan Documents to which it is a party.

(b) The execution, delivery, and performance by it of this Amendment and the performance by it of each Loan Document to which it is or will be a party (i) have been duly authorized by all necessary action, and (ii) do not and will not (A) require any consent or approval of its Owners; (B) require any authorization, consent or approval by, or registration, declaration or filing with, or notice to, any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any third party, except such authorization, consent, approval, registration, declaration, filing or notice as has been obtained, accomplished or given prior to the date hereof; (C) violate any provision of any law, rule or regulation (including Regulation X of the Board of Governors of the Federal Reserve System), or of any order, writ, injunction or decree presently in effect having applicability to such Person or such Person's Constituent Documents; (D) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which such Person is a party or by which it or its properties may be bound or affected; or (E) result in, or require, the creation or imposition of any Lien (other than the Security Interest) upon or with respect to any of the properties now owned or hereafter acquired by such Person.

(c) This Amendment is, and each other Loan Document to which it is or will be a party, when executed and delivered by each Person that is a party thereto, will be the legally valid and binding obligation of such Person, enforceable against such Person in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

(d) No Default or Event of Default has occurred and is continuing as of the Second Amendment Effective Date, and no condition exists which constitutes a Default or an Event of Default.

(e) The representations and warranties set forth in this Amendment, the Credit Agreement, as amended by this Amendment and after giving effect to this Amendment, and the other Loan Documents to which it is a party are true and correct in all material respects on and as of the date hereof, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall continue to be true and correct as of such earlier date).

(f) This Amendment has been entered into without force or duress, of the free will of each Person comprising the Borrower, and the decision of each Person comprising the Borrower to enter into this Amendment is a fully informed decision and such Person is aware of all legal and other ramifications of each decision.

(g) It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder.

7. Payment of Costs and Fees. The Borrower shall pay to the Lender all costs and expenses (including, without limitation, the reasonable fees and expenses of any attorneys retained by the Lender) in connection with the preparation, negotiation, execution and delivery of this Amendment and any documents and instruments relating hereto.

8. Amendment Fee. On or before the date hereof, the Borrower shall pay to the Lender an amendment fee in the amount of \$25,000 ("Amendment Fee") in immediately available funds, which Amendment Fee shall be retained by the Lender. Such Amendment Fee shall be fully earned and non-refundable on the date hereof.

9. Release.

(a) Effective on the date hereof, each person comprising the Borrower, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges the Lender, each of its Affiliates, and each of its successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lender would be liable if such persons or entities were found to be liable to such Person comprising the Borrower (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims, suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and collectively, the "Claims"), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, occurring prior to the date hereof which relates, directly or indirectly to the Credit Agreement, any other Loan Document, or to any acts or omissions of any such Releasee with respect to the Credit Agreement or any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents, except for the duties and obligations set forth in this Amendment. As to each and every Claim released hereunder, each Person comprising the Borrower hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

As to each and every Claim released hereunder, each Person comprising the Borrower also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of Arizona), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Person comprising the Borrower acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such Claims and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Person comprising the Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Person comprising the Borrower, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claim released, remised and discharged by such Person pursuant to the above release. Each Person comprising the Borrower further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of the Lender's Lien on

any item of Collateral under the Credit Agreement or the other Loan Documents. If any Person comprising the Borrower or any of their respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by such Releasee as a result of such violation.

10. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION. THIS AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING CHOICE OF LAW AND VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE PROVISION SET FORTH IN SECTION 8.13 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.

11. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect except in accordance with Section 8.2 of the Credit Agreement.

12. Counterpart Execution. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Amendment. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

13. Effect on Loan Documents.

(a) The Credit Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of the Lender under the Credit Agreement or any other Loan Document. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect. The waivers, consents and modifications set forth herein are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non-compliance with the Loan Documents nor operate as a waiver of any Default or Event of Default, shall not operate as a consent to any further waiver, consent or amendment or other matter under the Loan Documents, and shall not be construed as an indication that any future waiver or amendment of covenants or any other provision of the Credit Agreement will be agreed to, it being understood that the granting or denying of any waiver or amendment which may hereafter be requested by the Borrower remains in the sole and absolute discretion of the Lender. To the extent that any terms or provisions of this Amendment conflict with those of the Credit Agreement or the other Loan Documents, the terms and provisions of this Amendment shall control.

(b) Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement",

“thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

(c) To the extent that any of the terms and conditions in any of the Loan Documents shall contradict or be in conflict with any of the terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

(d) This Amendment is a Loan Document.

(e) **THIS AMENDMENT SHALL BE SUBJECT TO THE RULES OF CONSTRUCTION SET FORTH IN SECTION 1.2 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.**

14. Entire Agreement. This Amendment, and the terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

15. Integration. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

16. Reaffirmation of Obligations. Each Person comprising the Borrower hereby (a) acknowledges and reaffirms its obligations owing to the Lender under each Loan Document to which it is a party, and (b) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Each Person comprising the Borrower hereby (i) further ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in connection with the Security Documents or any other Loan Document to the Lender as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Amendment).

17. Ratification. Each Person comprising the Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and the Loan Documents effective as of the date hereof and as modified hereby.

18. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

“Borrowers”

DBM GLOBAL INC., a Delaware corporation,
formerly known as Schuff International, Inc.

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL COMPANY, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

SCHUFF STEEL - ATLANTIC, LLC, a Florida
limited liability company

By: Schuff Steel Company, a Delaware corporation, its Managing
Member

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President and Chief Financial Officer

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

AITKEN MANUFACTURING INC., a Delaware corporation, formerly known as Schuff Steel - Gulf Coast, Inc.

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

ON-TIME STEEL MANAGEMENT HOLDING, INC., a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President and Chief Financial Officer

DBM GLOBAL-NORTH AMERICA INC., a Delaware corporation, formerly known as Schuff Holding Co.

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

SCHUFF STEEL MANAGEMENT COMPANY - SOUTHWEST, INC., a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President and Chief Financial Officer

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

SCHUFF PREMIER SERVICES LLC, a
Delaware limited liability company

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Manager

DBM GLOBAL HOLDINGS INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

PDC SERVICES (USA) INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: President

CB-HORN HOLDINGS, INC., a Delaware
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

GRAYWOLF INDUSTRIAL, INC., a
Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

GRAYWOLF INTEGRATED CONSTRUCTION COMPANY,
a Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

TITAN FABRICATORS, INC., a Kentucky corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

MIDWEST ENVIRONMENTAL, INC., a Kentuck
corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill
Title: Vice President

MILCO NATIONAL CONSTRUCTORS, INC., a
Delaware corporation

By: /s/ Michael R. Hill
Name: Michael R. Hill

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

Title: Vice President

M. INDUSTRIAL MECHANICAL, INC., a
Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

INCO SERVICES, a Delaware corporation

By: /s/ Michael R. Hill

Name: Michael R. Hill

Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

“Lender”

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: /s/ Amber Vestal

Name: Amber Vestal

Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT TO
FOURTH AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT]

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of August 7, 2020, is entered into by and between HC2 Holdings, Inc. (the "Company"), and Wayne Barr, Jr. ("Executive").

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

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

1. Term. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive and Executive agrees to be employed by the Company as an at-will employee effective as of June 10, 2020. Executive's first day of employment is the "Start Date." As an at-will employee, the Company may terminate Executive's employment at any time, with or without reason, and Executive may resign at any time, with or without reason, both subject to the notice provisions in Section 5. The provisions of this Agreement will continue to apply unless and until Executive is informed in writing that it is being prospectively modified by the Company or until it is superseded by a subsequent written agreement between Executive and the Company. The entire period during which Executive is employed by the Company is at times referred to herein as the "Employment Period."
2. Definitions. For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.
 - (a) "Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has a direct or indirect ownership interest of more than five (5) percent shall be treated as an Affiliate of the Company.
 - (b) "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.
 - (c) "Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity.
 - (d) "Subsidiary" means, with respect to any Person, (i) any corporation of which at least a majority of the voting power with respect to the capital stock is owned, directly or indirectly, by such Person, any of its other Subsidiaries or any combination thereof or (ii) any Person other than a corporation in which such Person, any of its other Subsidiaries or any combination thereof has, directly or indirectly, at least a majority of the total equity or other ownership interest therein.

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

3. Duties and Responsibilities.

- (a) Executive agrees to be employed by the Company and be actively engaged in the business and activities of the Company and its Affiliates during the Employment Period. During the Employment Period, Executive agrees to use his reasonable best efforts to ensure that the business and activities of the Company and its Affiliates are conducted in compliance with all applicable laws, rules and regulations in all material respects. Executive shall be employed on a full-time basis hereunder with the title Interim Chief Executive Officer with such duties and responsibilities as directed from time to time by the Company. Executive agrees to cooperate with reasonable requests of the Company to provide services to the Company’s Affiliates in accordance with Company policies.
- (b) During the Employment Period, Executive shall use Executive’s best efforts to faithfully and diligently serve the Company and shall not act in any capacity that is in conflict with Executive’s duties and responsibilities hereunder. For the avoidance of doubt, during the Employment Period, Executive shall not (i) be permitted to become employed by, engaged in or to render services for any Person other than the Company and its Affiliates, (ii) except for Executive’s membership on the board of directors of Alaska Communications Systems Group, Inc. (NASDAQ: ALSK), be permitted to be a member of the board of directors of any Person (other than charitable or nonprofit organizations), in any case without the consent of the Company, and (iii) be directly or indirectly materially engaged or interested in any business activity, trade or occupation (other than employment with the Company and its Affiliates as contemplated by the Agreement); provided that nothing herein shall preclude Executive from engaging in charitable or community affairs and managing his personal investments to the extent that such other activities do not, subject to Section 7, conflict in any material way with the performance of Executive’s duties hereunder.

4. Compensation and Related Matters.

- (a) Base Compensation. During the Employment Period, for all services rendered under this Agreement, Executive shall receive aggregate annual base salary (“Base Salary”) at a rate of \$360,000 per annum, payable in accordance with payroll practices applicable to Company employees.

- (b) Annual Bonus. Executive will be eligible to earn an annual cash bonus for each year during the Employment Period (each, an “Annual Bonus”), in such amount and subject to such terms and conditions as are determined by the Chairman of the Board of Directors of the Company in consultation with Executive. Notwithstanding the foregoing, Executive will be eligible to receive an Annual Bonus in respect of 2020 in an amount equal to no less than \$180,000 if the Board determines that Executive’s actions as Interim Chief Executive Officer have resulted in the successful refinancing of the debt of the Company and its Affiliates and otherwise improved the standing of the Company to position it to achieve its business goals and objectives with respect to 2021. Executive shall be entitled to payment of an Annual Bonus, if any, only if Executive is employed by the Company on the payment date or as specifically provided in Section 5 of this Agreement.
- (c) RSA Award. As soon as practicable following the date hereof, Executive shall be eligible to receive a grant of restricted stock awards pursuant to the equity incentive plan of the Company then in effect (the “Equity Plan”) with a Fair Market Value (as defined in the Equity Plan) equal to \$90,000 for the 2020/2021 year based on the closing price of the Company’s common stock on July 30, 2020 (the “RSA Award”). 66-2/3% of the RSA Award will vest on July 30, 2021 and the remainder of the RSA Award will vest on July 30, 2022, subject to Executive’s continued services as a member of the Board or employee of the Company through each vesting date.
- (d) Benefits and Perquisites. During the Employment Period, Executive shall be entitled to participate in the benefit plans and programs commensurate with Executive’s position that are provided by the Company from time to time for comparable executives generally, subject to the terms and conditions of such plans. The Company may alter, modify, add to or delete from, or terminate any of its employee benefit plans at any time as it, in its sole judgment, determines to be appropriate, without recourse by Executive, except that no such action shall adversely affect any previously vested rights of Executive under such plans.
- (e) Business Expense Reimbursements. The Company shall reimburse Executive for reasonable and properly documented business expenses incurred during the Employment Period in accordance with the Company’s then-prevailing policies and procedures for expense reimbursement.
- (f) Vacation. During the Employment Period, Executive shall be eligible for paid time off (“PTO”) of twenty-two (22) days annually as provided in applicable Company policies.

5. Termination of Employment.

- (a) Executive’s employment shall automatically and immediately terminate upon Executive’s death. Executive’s employment may be terminated by the

Company at any time because of Disability (defined below), or for Cause (defined below), or for any reason other than Cause or Disability (“Without Cause”), by delivering notice of such termination, and may be terminated by Executive at any time for Good Reason (defined below) or for any other reason, provided, however, Executive shall be required to give the Company at least 60 days advance written notice of any resignation, and the Company shall be required to give Executive at least 30 days advance written notice of any termination Without Cause. The Company may, in its discretion, require Executive to cease performing services for the Company, in whole or part, during any portion of the applicable notice period, in which event the Company will continue to pay Base Salary, if any, and provide benefits and calculate bonuses, if any, through the end of the applicable notice period.

- (b) Following any termination of Executive’s employment, notwithstanding any provision to the contrary in this Agreement, the obligations of the Company to pay or provide Executive with compensation and benefits under Section 4 shall cease as of the Termination Date, except as otherwise provided herein, and the Company shall have no further obligations to provide compensation or benefits to Executive hereunder except (i) for payment of any accrued but unpaid Base Salary, if any, and PTO and unreimbursed expenses under Section 4(e) incurred through the Termination Date, (ii) for the payment of any Annual Bonus awarded in respect of the fiscal year prior to the fiscal year in which termination of employment occurs but unpaid as of the Termination Date (which will be paid when such Annual Bonus would otherwise be payable), (iii) as set forth in any other benefit plans, programs or arrangements applicable to terminated employees in which Executive participates, and (iv) as otherwise expressly required by applicable statute. Notwithstanding any provision to the contrary in this Agreement (including the above provisions of this paragraph), if Executive’s employment is terminated for Cause or if Executive resigns without Good Reason, Executive shall not be entitled to receive any previously unpaid portion of the current or any prior fiscal year’s Annual Bonus.
- (c) If Executive’s employment is terminated by the Company Without Cause or by Executive for Good Reason (defined below), then, in addition to the entitlements described in Section 5(b), Executive shall be entitled to severance payments and benefits under the position of “CEO” in accordance with, and subject to the terms of, the Company’s Severance Guidelines in effect as of the Termination Date; provided, that if Executive’s employment is terminated by the Company Without Cause or by Executive for Good Reason, in each case, as a result of the Company hiring a permanent successor Chief Executive Officer prior to June 11, 2021, then in addition to the foregoing severance payments and benefits, Executive shall also be entitled to receive continued payment of the Base Salary through June 11, 2021. For purposes of this Agreement:

- (i) “Cause” means: (A) Executive’s willful misconduct in the performance of his duties for the Company that causes material injury to the Company, (B) Executive’s conviction of, or plea of guilty or nolo contendere to, a felony (or the equivalent of a felony in a jurisdiction other than the United States), or Executive’s willfully engaging in illegal conduct that is detrimental to the Company, (C) Executive’s material breach of Sections 7, 8 or 10 of this Agreement, (D) Executive’s willful violation of the Company’s written policies in a manner that is detrimental to the best interests of the Company; (E) Executive’s fraud or misappropriation, embezzlement, or misuse of funds or property belonging to the Company; (F) Executive’s act of personal dishonesty that results in personal profit in connection with Executive’s employment with the Company; (G) Executive’s breach of fiduciary duty owed to the Company; or (H) Executive’s willful negligence of his duties, which results in the loss of a material amount of capital of the Company or its Affiliates (the Company shall make the determination of materiality and shall promptly communicate such determination to Executive); provided, however, that Executive shall be provided a ten (10)-day period to cure any of the events or occurrences described in the immediately preceding clauses (C) or (D) hereof, to the extent curable. For purposes hereof, no act, or failure to act, on the part of Executive shall be considered “willful” unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive’s action or omission was in the best interests of the Company. An act, or failure to act, based on specific authority given pursuant to a resolution duly adopted by the Board shall be presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.
- (ii) “Disability” means Executive’s incapacity, due to mental, physical or emotional injury or illness, such that Executive is substantially unable to perform his duties hereunder for a continuous period of ninety calendar days, or for more than a total of 85 business days during any 12 month period, subject to reasonable accommodation provisions of applicable laws.
- (iii) “Good Reason” means the occurrence, without Executive’s express written consent, of a material diminution in Executive’s authority, duties or responsibilities or Executive shall give the Company a written notice specifying in detail the event or circumstances claimed to give rise to Good Reason within 25 days after Executive has knowledge that an event or circumstances constituting Good Reason has occurred, and if Executive fails to provide such timely notice, then such event or circumstances will no longer constitute Good Reason. The Company shall have 30 days to cure the event or circumstances described in such notice, and if such event or circumstances are not timely cured, then Executive must actually

terminate employment within 90 days following the specified event or circumstances constituting Good Reason; otherwise, such event or circumstances will no longer constitute Good Reason.

- (d) Upon termination of Executive's employment for any reason, and regardless of whether Executive continues as a consultant to the Company, upon the Company's request Executive agrees to resign, as of the date of such termination of employment or such other date requested, from the Board and any committees thereof (and, if applicable, from the board of directors (and any committees thereof) of any Affiliate of the Company) to the extent Executive is then serving thereon.
- (e) The payment of any amounts accrued under any benefit plan, program or arrangement in which Executive participates shall be subject to the terms of the applicable plan, program or arrangement, and any elections Executive has made thereunder. Subject to Section 20 and applicable laws, the Company may offset any amounts due and payable by Executive to the Company or its Subsidiaries against any amounts the Company owes Executive hereunder.

6. Acknowledgments.

- (a) Executive acknowledges that the Company has expended and shall continue to expend substantial amounts of time, money and effort to develop business strategies, employee and customer relationships and goodwill and build an effective organization. Executive acknowledges that Executive is and shall become familiar with the Company's Confidential Information (as defined below), including trade secrets, and that Executive's services are of special, unique and extraordinary value to the Company, its Subsidiaries and Affiliates. Executive acknowledges that the Company has a legitimate business interest and right in protecting its Confidential Information, business strategies, employee and customer relationships and goodwill, and that the Company would be seriously damaged by the disclosure of Confidential Information and the loss or deterioration of its business strategies, employee and customer relationships and goodwill.
- (b) Executive acknowledges (i) that the business of the Company and its Affiliates is global in scope, without geographical limitation, and capable of being performed from anywhere in the world, and (ii) notwithstanding the jurisdiction of formation or principal office of the Company, or the location of any of their respective executives or employees (including, without limitation, Executive), it is expected that the Company and its Affiliates will have business activities and have valuable business relationships within their respective industries throughout the world.
- (c) Executive acknowledges that Executive has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to the necessity of such restraints

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

7. Nondisclosure of Confidential Information.

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

under applicable law) in respect of the applicable proceeding or process and (C) the Company shall be given an opportunity to review the Confidential Information prior to disclosure thereof.

- (b) For purposes of this Agreement, “Confidential Information” means information, observations and data concerning the Company and its Affiliates, or any of their respective present or former members, partners, directors, employees or agents, or the family members thereof, including, without limitation, all business information (whether or not in written form) which relates to any of the foregoing Persons, or any of their respective customers, suppliers or contractors or any other third parties in respect of which the Company or any of its Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive’s breach of this Agreement, including but not limited to: investment methodologies, investment advisory contracts, fees and fee schedules; investment performance of the accounts managed by the Company or its respective Affiliates (“Track Records”); technical information or reports; brand names, trademarks, formulas; trade secrets; unwritten knowledge and “know-how”; operating instructions; training manuals; customer or investor lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; analyses or plans relating to the acquisition or development of businesses, or relating to the sale of Subsidiaries or Company assets; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation, employee evaluations, or other personnel-related information; contracts; and supplier lists. Without limiting the foregoing, Executive agrees to keep confidential the existence of, and any information concerning, any dispute between Executive and the Company or their respective Subsidiaries and Affiliates, except that Executive may disclose information concerning such dispute to the court or arbitrator that is considering such dispute or to their respective legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of such dispute). Executive acknowledges and agrees that the Track Records were the work of teams of individuals and not any one individual and are the exclusive property of the Company and its Affiliates, and agrees that he shall in no event claim the Track Records as his own following termination of his employment for the Company.
- (c) Except as set forth otherwise in this Agreement, Executive agrees that Executive shall not disclose the terms of this Agreement, except to Executive’s immediate family and Executive’s financial and legal advisors, or if previously disclosed by the Company in any public filing, or as may be required by law or ordered by a court or applicable under Section 12 of this Agreement. Executive further agrees that any disclosure to Executive’s

financial and legal advisors will only be made after such advisors acknowledge and agree to maintain the confidentiality of this Agreement and its terms.

- (d) Executive further agrees that Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Executive has an obligation of confidentiality, and will not bring onto the premises of the Company or its Affiliates any unpublished documents or any property belonging to any former employer or any other Person to whom Executive has an obligation of confidentiality unless consented to in writing by the former employer or other Person.
 - (e) DTSA and Permitted Disclosures. Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company and its Affiliates that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company or any of its Affiliates for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive (i) files any document containing the trade secret under seal, and (ii) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Further, nothing in any agreement Executive has with the Company or any of its Affiliates shall prohibit or restrict Executive from making any voluntary disclosure of information or documents to any governmental agency or legislative body, or any self-regulatory organization, in each case, without advance notice to the Company.
8. Return of Property. Executive acknowledges that all notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the businesses of the Company and its Subsidiaries and Affiliates, in whatever form (including electronic), and all copies thereof, that are received or created by Executive while employed hereunder by the Company or its Subsidiaries or Affiliates (including but not limited to Confidential Information and Inventions (as defined below)) are and shall remain the property of the Company and its Subsidiaries and Affiliates, and Executive shall immediately return such property to the Company upon the termination of Executive's employment hereunder and, in any event, at the Company's request. Executive further agrees that any property situated on the premises of, and owned by, the Company or its Subsidiaries or Affiliates, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company's personnel at any time with or without notice.

9. Intellectual Property Rights.

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

irrevocably waives the enforcement of such Proprietary Rights. This Section 9(b) is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of Executive's employment by the Company. Executive further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall assist the Company in every reasonable, proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. To this end, Executive shall execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Executive shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. Executive's obligation to provide reasonable assistance to the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of the Employment Period.

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

10. Nondisparagement.

- (a) During Executive's employment with the Company and thereafter, Executive agrees not to make, publish or communicate at any time to any person or entity, including, but not limited to, customers, clients and investors of the Company, its Affiliates and their respective present or former members, partners, directors, employees or agents, and the family members thereof, any Disparaging (defined below) remarks, comments or statements concerning the Company its Affiliates, any entity affiliated with Philip A. Falcone or any of his family members, or any of their respective present and former members, partners, directors, officers, employees or agents.
- (b) In the event (i) Executive's employment terminates for any reason; and (ii) Executive provides the Company with an irrevocable waiver and general release in favor of the Released Parties in the Company's customary form that has become effective and irrevocable in accordance with its terms, the Company agrees that the Board shall not make, publish, or communicate at any time to any person or entity any Disparaging (defined below) remarks, comments or statements concerning Executive, except nothing herein shall prevent the Company from making truthful statements regarding Executive's termination as required or, in the discretion of the Board, deemed advisable to be made in the Company's or any Affiliate's public filings.

- (c) For the purposes of this Section 10, “Disparaging” remarks, comments or statements are those that impugn the character, honesty, integrity, morality, business acumen or abilities of the individual or entity being disparaged.
 - (d) Notwithstanding the foregoing, this Section 10 does not apply to (i) any truthful testimony, pleading, or sworn statements in any legal proceeding; (ii) attorney-client communications; or (iii) any communications with a government or regulatory agency, and further, it shall not be construed to prevent Executive from filing a charge with the Equal Employment Opportunity Commission or a comparable state or local agency.
11. Notification of Employment or Service Provider Relationship. Executive hereby agrees that prior to accepting employment with, or agreeing to provide services to, any other Person during any period during which Executive remains subject to any of the covenants set forth in Section 7, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered to the Company not later than seven (7) days prior to the date on which Executive is scheduled to commence such employment or engagement.
12. Remedies and Injunctive Relief. Executive acknowledges that a violation by Executive of any of the covenants contained in Section 7, 8, 9, 10 or 11 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, the Company may be entitled (without the necessity of showing economic loss or other actual damage and without the requirement to post a bond) to injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 7, 8, 9, 10 or 11 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company’s rights shall be unrestricted.
13. Representations of Executive: Advice of Counsel.
- (a) Executive represents, warrants and covenants that as of the date hereof: (i) Executive has the full right, authority and capacity to enter into this Agreement and perform Executive’s obligations hereunder, (ii) Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of Executive’s duties and obligations to the Company hereunder during or after the Employment Period and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which Executive is subject.

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

14. Cooperation. Executive agrees that, upon reasonable notice and without the necessity of the Company obtaining a subpoena or court order, Executive shall provide reasonable cooperation in connection with any suit, action or proceeding (or any appeal from any suit, action or proceeding), or the decision to commence on behalf of the Company any suit, action or proceeding, and any investigation and/or defense of any claims asserted against any of the Company's or its Affiliates' current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, which relates to events occurring during Executive's employment hereunder by the Company as to which Executive may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and/or providing testimony at depositions and at trial), provided that with respect to such cooperation occurring following termination of the Employment Period, the Company shall reimburse Executive for expenses reasonably incurred in connection therewith and shall schedule such cooperation to the extent reasonably practicable so as not to unreasonably interfere with Executive's business or personal affairs. Notwithstanding anything to the contrary, in the event the Company requests cooperation from Executive after his employment with the Company has terminated and at a time when Executive is not receiving any severance pay from the Company, Executive shall not be required to devote more than forty (40) hours of his time per year with respect to this Section 14, except that such forty (40) hour cap shall not include or apply to any time spent testifying at a deposition or at trial, or spent testifying before or being interviewed by any administrative or regulatory agency.
15. Withholding. The Company may deduct and withhold from any amounts payable, or equity granted, under this Agreement such Federal, state, local, non-U.S. or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation.
16. Assignment.
- (a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive, and any assignment in violation of this Agreement shall be void.

- (b) This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, successors by merger, consolidation, sale or similar transaction and in the event of Executive's death, Executive's estate and heirs in the case of any payments due to Executive hereunder).
- (c) Executive acknowledges and agrees that all of Executive's covenants and obligations to the Company, as well as the rights of the Company hereunder, shall run in favor of and shall be enforceable by the Company and any successor or assign to all or substantially all of the Company's business or assets.

17. Arbitration. Any controversy, claim or dispute between the parties relating to Executive's employment or termination of employment, whether or not the controversy, claim or dispute arises under this Agreement (other than any controversy or claim arising under Section 7 or Section 8), shall be resolved by arbitration in New York County, New York, in accordance with the Employment Arbitration Rules and Mediation Procedures ("Rules") of the American Arbitration Association through a single arbitrator selected in accordance with the Rules. The decision of the arbitrator shall be rendered within thirty (30) days of the close of the arbitration hearing and shall include written findings of fact and conclusions of law reflecting the appropriate substantive law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof in the State of New York. In reaching his or her decision, the arbitrator shall have no authority (a) to authorize or require the parties to engage in discovery (provided, however, that the arbitrator may schedule the time by which the parties must exchange copies of the exhibits that, and the names of the witnesses whom, the parties intend to present at the hearing), (b) to interpret or enforce Section 7 or Section 8 of the Agreement (for which Section 18 shall provide the sole and exclusive venue), (c) to change or modify any provision of this Agreement, (d) to base any part of his or her decision on the common law principle of constructive termination, or (e) to award punitive damages or any other damages not measured by the prevailing party's actual damages and may not make any ruling, finding or award that does not conform to this Agreement. Each party shall bear all of his or its own legal fees, costs and expenses of arbitration to the fullest extent permitted by applicable law, and one-half (1/2) of the costs of the arbitrator.
18. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to its conflict of law provisions, except that Section 17 and any arbitration proceeding pursuant to Section 17 shall be governed by the Federal Arbitration Act ("FAA") to the extent it is applicable and by New York law to the extent that the FAA is not applicable. Furthermore, as to Section 7 and Section 8, Executive and the Company each agrees and consents to submit to personal jurisdiction in the state of New York in any state or federal court of competent subject matter jurisdiction situated in New York County, New York. Executive and the Company further agree that the sole and

exclusive venue for any suit arising out of, or seeking to enforce, the terms of Section 7 and Section 8 of this Agreement shall be in a state or federal court of competent subject matter jurisdiction situated in New York County, New York. In addition, Executive and the Company waive any right to challenge in another court any judgment entered by such New York County court or to assert that any action instituted by the Company in any such court is in the improper venue or should be transferred to a more convenient forum. **Further, Executive and the Company waive any right he may otherwise have to a trial by jury in any action to enforce the terms of this Agreement.** The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 25, or such other updated address as has been provided to the other party from time to time in accordance with Section 25. Each party shall bear its own costs and expenses (including their respective attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement.

19. Amendment; No Waiver; Section 409A

- (a) No provisions of this Agreement may be amended, modified, waived or discharged except by a written document signed by Executive and a duly authorized officer of the Company (other than Executive).
- (b) The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.
- (c) It is the intention of the Company and Executive that this Agreement comply with the requirements of Section 409A, and this Agreement will be interpreted in a manner intended to comply with or be exempt from Section 409A. The Company and Executive agree to negotiate in good faith to make amendments to this Agreement as the parties mutually agree are necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. Notwithstanding the foregoing, Executive shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of Executive in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold Executive (or any beneficiary) harmless from any or all of such taxes or penalties.

- (d) Notwithstanding anything in this Agreement to the contrary, in the event that Executive is deemed to be a “specified employee” within the meaning of Section 409A(a)(2)(B)(i), no payments hereunder that are “deferred compensation” subject to Section 409A shall be made to Executive prior to the date that is six (6) months after the date of Executive’s “separation from service” (as defined in Section 409A) or, if earlier, Executive’s date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. For purposes of Section 409A, each of the payments that may be made under this Agreement are designated as separate payments.
 - (e) For purposes of this Agreement, with respect to payments of any amounts that are considered to be “deferred compensation” subject to Section 409A, references to “termination of employment” (and substantially similar phrases) shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A relating to “separation from service”.
 - (f) To the extent that any reimbursements pursuant to Section 4(d), 4(e) or 14 are taxable to Executive, any such reimbursement payment due to Executive shall be paid to Executive as promptly as practicable, and in all events on or before the last day of Executive’s taxable year following the taxable year in which the related expense was incurred. The reimbursements pursuant to Section 4(d), 4(e) and 14 are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.
20. Severability. If any provision or any part thereof of this Agreement, including Sections 7, 8, 9, 10 and 11 hereof, as applied to either party or to any circumstances, shall be adjudged by a court of competent jurisdiction to be invalid or unenforceable, the same shall in no way affect any other provision or remaining part thereof of this Agreement, which shall be given full effect without regard to the invalid or unenforceable provision or part thereof, or the validity or enforceability of this Agreement. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.
21. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Company and Executive with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between Executive and the Company, relating to such subject matter. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

22. Survival. The rights and obligations of the parties under the provisions of this Agreement (including without limitation, Sections 7 through Section 14) shall survive, and remain binding and enforceable, notwithstanding the termination of this Agreement, the termination of Executive's employment hereunder or any settlement of the financial rights and obligations arising from Executive's employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.
23. No Construction against Drafter. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.
24. Clawback. Executive acknowledges that to the extent required by applicable law or written company policy adopted to implement the requirements of such law (including without limitation Section 304 of the Sarbanes Oxley Act and Section 954 of the Dodd Frank Act), the Annual Bonus and any other incentive compensation shall be subject to any required clawback, forfeiture, recoupment or similar requirement.
25. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to Executive at the most recent address listed in Company records and to the Company at the following address (or at such other address for a party as shall be specified by like notice):

If to the Company:

Suzi R. Herbst
Chief Administrative Officer
450 Park Avenue
New York, New York 10022
Email: sherbst@HC2.com

26. Background Check. Upon execution, this Agreement is offer of employment that is contingent upon the completion of a background investigation (including a credit check, criminal history check, confirmation of prior employment, and confirmation of educational background) satisfactory to the Company in its sole discretion and the Executive providing legally required documentation of eligibility to work in the United States ("Background Check"). Following the successful completion of the Background Check this Agreement shall be a binding agreement of the parties in accordance with its terms; provided that, the Company may waive the requirement to obtain or complete a Background Check at any time. The Executive agrees to submit to a drug screening, to execute all documentations and take all action required in connection with the completion of the Background Check. The Executive acknowledges that he is not an employee of the Company until the Employee has

received notification from the Company that the Background Check has been completed to the satisfaction of the Company in its sole discretion.

27. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.
28. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (PDF), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

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

HC2 HOLDINGS, INC.

By: /s/ Suzi Herbst
Name: Suzi Herbst
Title: Chief Administrative Officer

/s/ Wayne Barr, Jr.
Wayne Barr, Jr.

[Signature Page to Employment Agreement]

CERTIFICATIONS

I, Wayne Barr, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HC2 Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 10, 2020

By: /s/ Wayne Barr, Jr.

Name:

Wayne Barr, Jr.

Title:

President and Interim Chief Executive
Officer (Principal Executive Officer)

CERTIFICATIONS

I, Michael J. Sena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HC2 Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 10, 2020

By: /s/ Michael J. Sena

Name:

Michael J. Sena

Title:

Chief Financial Officer

(Principal Financial and Accounting Officer)

CERTIFICATION

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. §1350, as adopted), Wayne Barr, Jr., President and Interim Chief Executive Officer (Principal Executive Officer) of HC2 Holdings, Inc. (the “Company”), and Michael J. Sena, the Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated: August 10, 2020

/s/ Wayne Barr, Jr.

Wayne Barr, Jr.
President and Interim Chief Executive Officer
(Principal Executive Officer)

/s/ Michael J. Sena

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