

2019 Survey of HC2 Holdings, Inc. Shareholders

Value enhancement alternatives
 Management of favored alternative
 Comments presented for the company's consideration
 Shareholder comments for other shareholders

Shareholders of HC2 Holdings, Inc. were invited to report their views of management alternatives during the week following September 10, 2019.¹

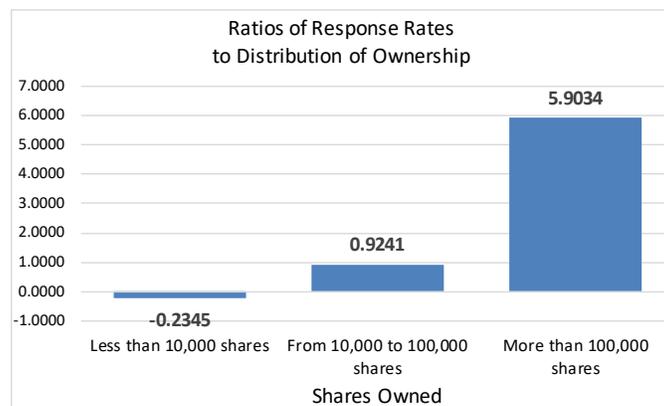
The survey research was initiated by HC2 shareholders seeking an understanding of what strategies other shareholders would support to establish marketplace valuations of the company's stock in a range consistent with reported professional valuations of the company's subsidiary holdings.² The survey questionnaire also asked participants to volunteer information that might be useful in analyzing anonymous responses, about what kind of portfolio(s) they managed, how many shares they owned, how long they had owned shares, and whether they had recently increased or decreased their HC2 investment. Participants were also offered an opportunity to present questions or comments anonymously for the Forum to report for consideration by HC2's management or other shareholders.³

Value enhancement alternatives

The initial issue shareholders were invited to address was to "how much you believe each of these alternatives would contribute to the value of your HC2 stock," presenting a list of specified strategies and offering an opportunity for respondents to write in their own suggestion of an "other" alternative.

As shown in the following graph, the highest level of shareholder support was for the alternative to "[d]efer investments in new ventures until cash flow from profitable operations has

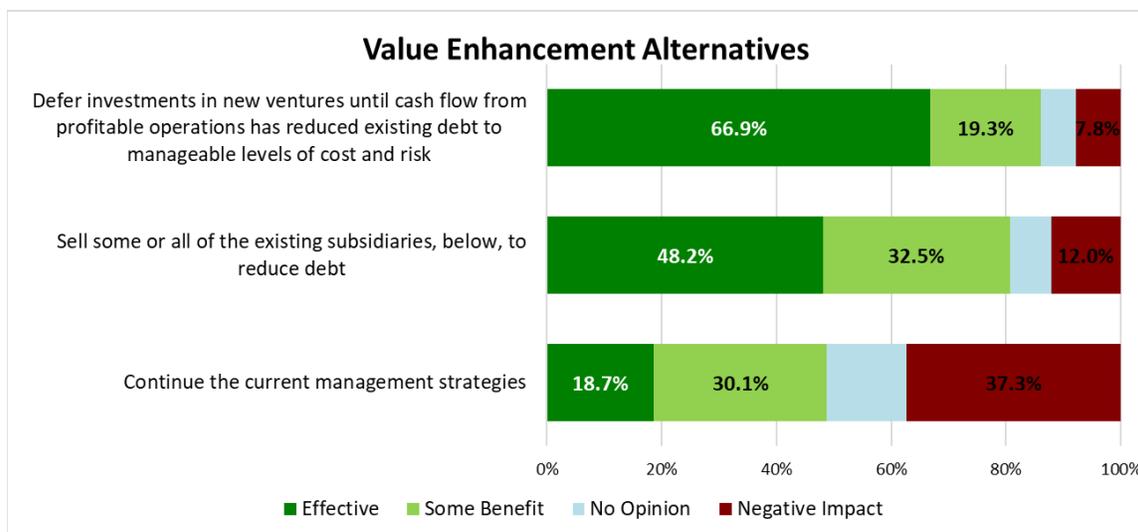
¹ An independent service provider that does not disclose identities of addressees distributed invitations by email on the morning of September 10, 2019 to all shareholders with authorized electronic reporting who owned 100 or more shares of HC2 Holdings, Inc. As indicated in the following analysis of response variance from the distribution of record owners, responses to the survey showed an unusually high proportion of investors with larger interests:



² To avoid biasing responses, the survey did not present information about the initiators.

³ For a copy of the online survey that was available for a week following the September 10, 2019 distribution of invitations, with its explanation of security provisions for independent moderation and data administration to assure participant anonymity, see [Questionnaire](#).

reduced existing debt to manageable levels of cost and risk,” with 86% of respondents believing that would be effective or provide some benefit. The next highest level of support was for the similar alternative of selling some or all subsidiaries to reduce debt, with 81% of respondents believing that would be effective or provide some benefit. Support for specific disposition alternatives ranged from 69% to 53%, except for the strongly opposed sale of the Construction Group which was supported by only 38% and received the highest level of perceived negative impact by 44% of shareholders. Most significantly, fewer than half of the responding shareholders thought a continuation of current management strategies would be effective or at least provide some benefit, and more than a third thought it would have a negative impact.



It should be noted that these patterns of support for both deferral of new venture investments and sales of subsidiaries to reduce debt were much stronger among respondents reporting ownership of more than 100,000 shares. Most significantly, more than two thirds of those larger shareholders reported believing that a continuation of current management strategies would have a negative impact.

Comments offered by shareholders addressing this question were generally consistent with their choices of alternatives, as shown in this range of examples:

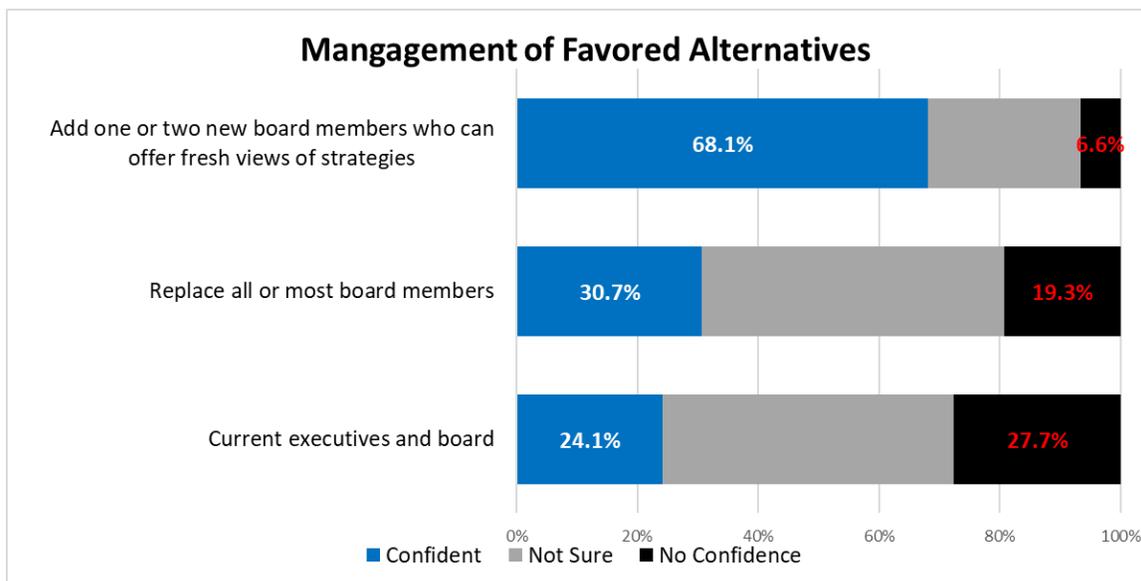
- *act fast*
- *bring in operator to run company properly, stop new projects, significantly cut G&A*
- *liquidate*
- *manage debt as we move into the downturn. rates will be even lower then if more borrowing is needed*
- *management could try to reduce corporate overhead expenses as currently they are too high (25-30mn per yr) given the tight free cash flow situation*
- *Most of these questions depend on price. So it is tough to say on just a blanket should we sell this asset, it depends on the sure, sure sell DBM if you can get 2 billion.. I was unaware there were issues with NY for Continental*
- *Something must be done to address staggering debt and excess management comp*

- *The debt level is too high given the cash flows of the combined operations.*
- *There are too many assets that are not cash flow positive, and the corporate overhead costs are too high given the underlying assets of the business.*

Management of favored alternative

Following the question above about strategy alternatives, participants were asked “[f]or whichever alternative(s) you consider most likely to be effective, how do you think the value enhancement process could be most reliably managed?”

Understandably in the context of support for change, most shareholders reported that they would have confidence in the management of their favored alternative if there was at least some change in HC2’s board of directors. The strongest support, with 68% expressing confidence and only 7% lacking confidence, was for the relatively safe addition of one or two new board members to provide fresh views. However, as shown in the graph below, significantly more shareholders had confidence in a new board than the number who lacked confidence in that more pivotal change of management. Consistent with that response, the number of shareholders who lacked confidence in HC2’s current board and executive management was greater than the number of shareholders who expressed confidence in them.



As in their responses to alternative strategies, respondents reporting ownership of more than 100,000 shares showed much stronger views. More than two thirds of these larger shareholders expressed both confidence in a replacement of all or most board members and a lack of confidence in the current executives and board.

Comments offered by shareholders addressing management included a range of views shown in these examples:

- *Add some one from Steel Partners (they own 1,000,000 shares)to your board, they know how to create value*

- *Company was highly rated a few years ago as a potential 100x gain over time. Use successful actions that created your promising future and continue to build you team for success*
- *Current management is a disaster and they should be replaced. The Board should have quit after the say on pay vote and the current board is a disgrace.*
- *I think the stock price speaks for itself as far as investor confidence in management.*
- *liquidate save 25mm overhead*
- *Maybe you should seek out a really smart activist investor rather than waiting for them to come find you in a hostile manner. For example reach out to Icahn and see if he is interested in taking a stake.*
- *New directors without past history with ceo*
- *Please operate with more integrity. DO NOT lie to your shareholders for three years about “top priority” and then do the opposite; sell assets and use no proceeds to tackle your investors concerns. Management has been negligent with leverage at the holding company, they have leveraged the company to such an extent that it now makes selling assets for a fair price next to impossible. Global has been for sale almost a year now, potential buyers of the asset are aware of the high levels of debt and leverage that the holding company, and are using that to their advantage. We will be forced to unload the asset at a sub optimal price due to managements negligence with leverage. It is downright repulsive the way Phil and co. have conducted themselves since the inception of Hc2 holding. Take zero pay until you create shareholder value, you have robbed your investors for the past number of years with exorbitant bonuses for costing your shareholders significant losses.*
- *Some continuity of management necessary, but fresh eyes valuable.*
- *The Board are all yes-men to Falcone. They need to be replaced*
- *The reports on management that I've read are quite positive. Looking forward, as long as people with excellent skills and experience are guiding the company, the pursuit of steady, stable growth should go according to plan.*
- *yeah, fire falcone! no confidence.*

Comments presented for the company’s consideration

Responding shareholders were invited to present comments and questions for HC2 management, as well as suggestions of subjects for future company reports or conference call presentations, with the assurance that their responses would be presented to the company with sources identified only as anonymous participants in the survey. The following reports of all responses were presented to the company’s chief executive officer on September 18, 2019, the day after the one-week survey was closed:

- [Shareholder Suggestions for Management Consideration](#)
- [Shareholder Questions for Company Management](#)
- [Shareholder Suggestions of Subjects for a Company Report](#)

HC2 management responded to these comments on September 25, 2019, with the following statement:

HC2 Holdings, Inc. appreciates the concerns of our investors, particularly with respect to our balance sheet. De-levering the holding company remains our top priority. While the sale of Global Marine is clearly at the forefront of this process, we continue to evaluate additional paths with our other global portfolio companies. As we show progress in improving our balance sheet, we believe investors will be able to see the value we are creating and the benefits of a diversified portfolio. We remain well-positioned to take advantage of our diverse hybrid portfolio strategy of solid cash generating businesses such as Construction, Insurance and meaningful value creation at Global Marine, Energy, Broadcasting and Life Sciences.

On September 26, 2019, the company also replaced its investor relations website presentation of a November 2018 “Corporate Overview” with a new “Investor Presentation” supporting their statement in response to the survey comments.⁴

Shareholder comments for other shareholders

The questionnaire also invited shareholders to offer comments for consideration of other HC2 shareholders, with the understanding that responses would be similarly reported as presented by anonymous participants in the survey. All of these comments are presented in the following report:

- [Comments Offered for Reporting to Other Shareholders](#)



This summary is being distributed to all shareholders who participated in the survey and requested a report of its results, with thanks for their contributions of views to benefit other shareholders and the company’s management. Questions and comments about the survey results are welcomed, and can be addressed to hhc@shareholderforum.com.

GL – September 27, 2019

Gary Lutin
Chairman, The Shareholder Forum

⁴ See [September 26, 2019, HC2 Holdings, Inc.: SEC Form 8-K Current Report: Exhibit 99.1 - HC2 Holdings, Inc. Investor Presentation dated September 2019](#); for the replaced November 2018 “Corporate Overview,” [click here](#).