

HC2 Holdings, Inc.
Form 10-Q/A
March 15, 2016

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

FORM 10-Q/A
Amendment No. 1

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

For the quarterly period ended March 31, 2015

OR

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

Commission File No. 001-35210

HC2 HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware 54-1708481
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

505 Huntmar Park Drive, Suite 325, 20170
Herndon, VA (Zip Code)
(Address of principal executive offices)
(703) 456-4100
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 2015
Common Stock, \$0.001 par value	25,487,023

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A ("Amendment No. 1") amends the Quarterly Report on Form 10-Q of HC2 Holdings, Inc. (the "Company") for the quarter ended March 31, 2015, as originally filed with the Securities and Exchange Commission (the "SEC") on May 11, 2015 (the "Original Filing").

As previously disclosed in Form 8-K filed on February 22, 2016 and as described in more detail in Note 1 of the Notes to Condensed Consolidated Financial Statements, on February 21, 2016, we determined that we had improperly accounted for certain items. As a result of the aggregate effect of these errors and other individually immaterial errors that have been waived in prior periods, the Audit Committee of our Board of Directors determined that our financial statements for the fiscal year ended December 31, 2014 and the fiscal quarters ended June 30, 2014, September 30, 2014, March 31, 2015, June 30, 2015 and September 30, 2015 could no longer be relied upon and should be restated. To correct the errors described above and in Note 1 of the Notes to Condensed Consolidated Financial Statements, we are amending the Original Filing to provide restated condensed consolidated financial statements as of and for the three months ended March 31, 2015 and to amend related disclosures.

As a result of the errors described above, management has concluded that the Company's internal control over financial reporting and its disclosure controls and procedures were not effective as of the ends of each of the applicable restatement periods. The effects of the material weaknesses are discussed in more detail in Item 4, Controls and Procedures.

For ease of reference, this Amendment No. 1 amends and restates the Original Filing in its entirety. Revisions to the Original Filing have been made to the following sections:

Part I - Item 1 - Financial Statements

Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I - Item 4 - Controls and Procedures

Part II - Item 1A - Risk Factors

Part II - Item 6 - Exhibits

In addition, the Company's principal executive officer and principal financial officer have provided new certifications in connection with this Amendment No.1 (Exhibits 31.1, 31.2, 32), as well as various exhibits related to XBRL.

Except as described above, no other amendments have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosure contained herein to reflect events that have occurred since the date of the Original Filing other than with respect to the items listed above. Accordingly, this Amendment should be read in conjunction with the Company's other filings made with the SEC subsequent to the filing of the Original Filing, including any amendments to those filings.

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

	Three Months Ended March 31,	
	2015 (As Restated)	2014
Services revenue	\$73,718	\$43,354
Sales revenue	128,090	—
Net revenue	201,808	43,354
Operating expenses:		
Cost of revenue - services	61,920	41,107
Cost of revenue - sales	110,536	—
Selling, general and administrative	23,512	6,204
Depreciation and amortization	5,255	210
(Gain) loss on sale or disposal of assets	473	(80)
Total operating expenses	201,696	47,441
Income/(loss) from operations	112	(4,087)
Interest expense	(8,608)	) (1)
Amortization of debt discount	(92)) —
Interest income and other expense, net	544	(49)
Foreign currency transaction loss	(771)	) (34)
Loss from continuing operations before income taxes and loss from equity investees	(8,815)	) (4,171)
Loss from equity investees	(2,688)) —
Income tax benefit (expense)	6,014	(9)
Loss from continuing operations	(5,489)	) (4,180)
Gain/(loss) from discontinued operations	(9)	) 17
Loss from sale of discontinued operations	—	(784)
Net loss	(5,498)	) (4,947)
Less: Net loss attributable to noncontrolling interest	261	—
Net loss attributable to HC2 Holdings, Inc.	(5,237)	) (4,947)
Less: Preferred stock dividends and accretion	1,088	—
Net loss attributable to common stock and participating preferred stockholders	\$(6,325)	) \$(4,947)
Basic loss per common share:		
Loss from continuing operations attributable to HC2 Holdings, Inc.	\$(0.26)	) \$(0.29)
Loss from discontinued operations	—	—
Loss from sale of discontinued operations	—	(0.05)
Net income (loss) attributable to HC2 Holdings, Inc.	\$(0.26)	) \$(0.34)
Diluted loss per common share:		
Loss from continuing operations attributable to HC2 Holdings, Inc.	\$(0.26)	) \$(0.29)
Loss from discontinued operations	—	—
Loss from sale of discontinued operations	—	(0.05)
Net loss attributable to HC2 Holdings, Inc.	\$(0.26)	) \$(0.34)
Weighted average common shares outstanding:		
Basic	24,146	14,631
Diluted	24,146	14,631
Amounts attributable to common shareholders of HC2 Holdings, Inc.		

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Loss from continuing operations attributable to HC2 Holdings, Inc.	\$ (6,316)	\$ (4,180)
Gain/(loss) from discontinued operations	(9	)	17)
Loss from sale of discontinued operations	—	)	(784)
Net loss attributable to HC2 Holdings, Inc.	\$ (6,325)	\$ (4,947)

See notes to Condensed Consolidated Financial Statements.

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HC2 HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(UNAUDITED)

	Three Months Ended March 31,	
	2015 (As Restated)	2014
Net income (loss)	\$ (5,498)	) \$ (4,947)
Other comprehensive income (loss))
Foreign currency translation adjustment	(4,361)	) (374)
Unrealized gain on available-for-sale securities, net of tax	149) —
Less: Comprehensive (income) loss attributable to the noncontrolling interest	261) —
Comprehensive income (loss) attributable to HC2 Holdings, Inc.	\$ (9,449)	) \$ (5,321)

See notes to Condensed Consolidated Financial Statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(UNAUDITED)

	March 31, 2015 (As Restated)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 128,872	\$ 107,978
Short-term investments	11,768	4,867
Accounts receivable (net of allowance for doubtful accounts receivable of \$2,675 and \$2,760 at March 31, 2015 and December 31, 2014, respectively)	195,878	152,279
Costs and recognized earnings in excess of billings on uncompleted contracts	24,656	28,098
Deferred tax asset - current	1,701	1,701
Inventories	17,062	14,975
Prepaid expenses and other current assets	29,337	18,590
Assets held for sale	11,485	3,865
Total current assets	420,759	332,353
Restricted cash	7,063	6,467
Long-term investments	61,458	50,816
Property, plant and equipment, net	217,585	233,022
Goodwill	30,540	30,540
Other intangible assets, net	30,095	31,158
Deferred tax asset - long-term	14,498	14,019
Other assets	17,483	21,628
Total assets	\$ 799,481	\$ 720,003
Liabilities, temporary equity and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 61,556	\$ 80,183
Accrued interconnection costs	19,507	9,717
Accrued payroll and employee benefits	22,883	20,023
Accrued expenses and other current liabilities	40,183	34,042
Billings in excess of costs and recognized earnings on uncompleted contracts	31,848	41,959
Accrued income taxes	—	512
Accrued interest	12,043	3,125
Current portion of long-term debt	38,811	10,444
Total current liabilities	226,831	200,005
Long-term debt	376,549	332,927
Pension liability	34,081	37,210
Other liabilities	8,002	1,617
Total liabilities	645,463	571,759
Commitments and contingencies (See Note 10)		
Temporary equity (See Note 12)		
Preferred stock, \$0.001 par value – 20,000,000 shares authorized; Series A - 30,000 shares issued and outstanding at March 31, 2015 and December 31, 2014; Series A-1 - 10,500 and 11,000 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively; Series A-2 - 14,000 and 0 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	53,444	39,845

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Redeemable non-controlling interest	4,053	4,004
Total temporary equity	57,497	43,849
Stockholders' equity:		
Common stock, \$0.001 par value – 80,000,000 shares authorized; 25,400,886 and 23,844,711 shares issued and 25,369,260 and 23,813,085 shares outstanding at March 31, 2015 and December 31, 2014, respectively	25	24
Additional paid-in capital	144,088	141,948
Accumulated deficit	(49,401	) (44,164
Treasury stock, at cost – 31,626 shares at March 31, 2015 and December 31, 2014, respectively	(378	) (378
Accumulated other comprehensive loss	(22,455	) (18,243
Total HC2 Holdings, Inc. stockholders' equity before noncontrolling interest	71,879	79,187
Noncontrolling interest	24,642	25,208
Total stockholders' equity	96,521	104,395
Total liabilities, temporary equity and stockholders' equity	\$799,481	\$720,003
See notes to Condensed Consolidated Financial Statements.		

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)
(UNAUDITED)

	Total	Common Stock Shares	Additional Paid-In Amount Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	
Balance as of December 31, 2014	\$104,395	23,813	\$24	\$141,948	\$(378)	\$(44,164)	\$(18,243)	\$25,208
Share-based compensation expense	2,694	—	—	2,694	—	—	—	—
Preferred stock dividend and accretion	(1,088)	—	—	(1,088)	—	—	—	—
Issuance of common stock	—	2	—	—	—	—	—	—
Issuance of restricted stock	1	1,436	1	—	—	—	—	—
Conversion of preferred stock to common stock	500	118	—	500	—	—	—	—
Acquisition of noncontrolling interest	(271)	—	—	—	—	—	—	(271)
Excess book value over fair value of purchased noncontrolling interest	—	—	—	34	—	—	—	(34)
Net loss	(5,498)	—	—	—	—	(5,237)	—	(261)
Foreign currency translation adjustment	(4,361)	—	—	—	—	—	(4,361)	—
Unrealized gain on available-for-sale securities, net of tax	149	—	—	—	—	—	149	—
Balance as of March 31, 2015 (As Restated)	\$96,521	25,369	\$25	\$144,088	\$(378)	\$(49,401)	\$(22,455)	\$24,642

See notes to Condensed Consolidated Financial Statements.

HC2 HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(UNAUDITED)

	Three Months Ended March 31,	
	2015 (As Restated)	2014
Cash flows from operating activities:		
Net income (loss)	\$ (5,498	) \$ (4,947
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts receivable	95	107
Share-based compensation expense	2,694	238
Depreciation and amortization	7,130	210
Amortization of deferred financing costs	329	—
(Gain) loss on sale or disposal of assets	473	704
(Gain) loss on sale of investments	(515) —
Equity investment (income)/loss	2,688	—
Amortization of debt discount	92	—
Deferred income taxes	(568	) 1
Unrealized foreign currency transaction (gain) loss on intercompany and foreign debt	172	(34
Changes in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	(45,764	) 2,767
(Increase) decrease in costs and recognized earnings in excess of billings on uncompleted contracts	3,468	—
(Increase) decrease in inventories	(2,355) —
(Increase) decrease in prepaid expenses and other current assets	(1,492	) 3,462
(Increase) decrease in other assets	(2,122	) 798
Increase (decrease) in accounts payable	(18,908	) (1,795
Increase (decrease) in accrued interconnection costs	10,111	(1,181
Increase (decrease) in accrued payroll and employee benefits	3,723	(846
Increase (decrease) in accrued expenses and other current liabilities	5,995	279
Increase (decrease) in billings in excess of costs and recognized earnings on uncompleted contracts	(10,116) —
Increase (decrease) in accrued income taxes	(6,238	) (4
Increase (decrease) in accrued interest	8,918	—
Increase (decrease) in other liabilities	(146	) (856
Increase (decrease) in pension liability	(1,125) —
Net cash provided by (used in) operating activities	(48,959	) (1,097
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,124	) (89
Sale of property and equipment and other assets	998	80
Purchase of equity investments	(8,644) —
Sale of equity investments	1,026	—
Purchase of available-for-sale securities	(6,664) —
Cash from disposition of business, net of cash disposed	—	3,200
Investment in debt securities	(3,250) —

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Purchase of noncontrolling interest	(222) —	
(Increase) decrease in restricted cash	(893) —	
Net cash used in investing activities	(20,773	) 3,191	
Cash flows from financing activities:			
Proceeds from long-term obligations	181,303	—	
Principal payments on long-term obligations	(103,690) —	
Payment of deferred financing costs	(1,136) —	
Proceeds from sale of preferred stock, net	14,032	—	
Proceeds from the exercise of warrants and stock options	—	2,891	
Payment of dividend equivalents	—	(550)
Net cash provided by (used) in financing activities	90,509	2,341	
Effects of exchange rate changes on cash and cash equivalents	117	(391)
Net change in cash and cash equivalents	20,894	4,044	
Cash and cash equivalents, beginning of period	107,978	8,997	
Cash and cash equivalents, end of period	\$128,872	\$13,041	
Supplemental cash flow information:			
Cash paid for interest	\$1,287	\$969	
Cash paid for taxes	\$112	\$22	
Preferred stock dividends and accretion	\$1,088	\$—	
Non-cash investing and financing activities:			
Purchases of property, plant and equipment under financing arrangements	\$1,808	\$—	
Property, plant and equipment included in accounts payable	\$1,632	\$—	
Conversion of preferred stock to common stock	\$500	\$—	

See notes to Condensed Consolidated Financial Statements.

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

1. ORGANIZATION AND BUSINESS

On May 29, 2014, HC2 Holdings, Inc. (“HC2” and, together with its subsidiaries, the “Company”, “we” and “our”) completed the acquisition of 2.5 million shares of common stock of Schuff International, Inc. (“Schuff”), a steel fabrication and erection company, and negotiated an agreement to purchase an additional 198,411 shares, representing an approximately 65% interest in Schuff. The aggregate consideration for the shares of Schuff acquired was approximately \$85 million, which was funded using the net proceeds from (i) the issuance of \$30 million of Series A Convertible Participating Preferred Stock of HC2 (the “Series A Preferred Stock”) and \$6 million of common stock of HC2, and (ii) the entry into a senior secured credit facility providing for an eighteen month, floating interest rate term loan of \$80 million (the “May Credit Facility”), each of which was also completed on May 29, 2014. Schuff repurchased a portion of its outstanding common stock in June 2014, which had the effect of increasing the Company’s ownership interest to 70%. During the fourth quarter of 2014, the final results of a tender offer for all outstanding shares of Schuff were announced and various open-market purchases were made, which resulted in the acquisition of 809,043 shares and an increase in our ownership interest to 91%. We intend to execute a short-form merger, which will increase our ownership of Schuff shares to 100%.

Schuff and its wholly-owned subsidiaries primarily operate as integrated fabricators and erectors of structural steel and heavy steel plates with headquarters in Phoenix, Arizona and operations in Arizona, Georgia, Texas, Kansas and California. Schuff’s construction projects are primarily in the aforementioned states. In addition, Schuff has construction projects in select international markets, primarily Panama. Schuff has a 49% interest in Schuff Hopsa Engineering, Inc. (“SHE”), a Panamanian joint venture with Empresas Hopsa, S.A., that provides steel fabrication services. Schuff controls the operations of SHE, as provided in the operating agreement. Therefore, the assets, liabilities, revenues and expenses of SHE are included in the Condensed Consolidated Financial Statements of Schuff. Empresas Hopsa, S.A.’s 51% interest in SHE is presented as a noncontrolling interest component of total stockholders’ equity.

On August 1, 2014, the Company paid \$15.5 million to acquire 15,500 shares of Series A Convertible Preferred Stock of American Natural Gas (“ANG”), representing an approximately 51% interest in ANG. ANG is a premier distributor of natural gas motor fuel headquartered in the Northeast that designs, builds, owns, acquires, operates and maintains compressed natural gas fueling stations for transportation.

On September 22, 2014, the Company completed the acquisition of Bridgehouse Marine Limited (“Bridgehouse”), the parent holding company of Global Marine Systems Limited (“GMSL”). The purchase price reflects an enterprise value of approximately \$260 million, including assumed indebtedness, and was funded using a portion of the net proceeds from (i) the issuance of \$11 million of Series A-1 Convertible Participating Preferred Stock of HC2 (the “Series A-1 Preferred Stock”) and (ii) a senior secured credit facility providing for a twelve month, floating interest rate term loan of \$214 million and a delayed draw term loan of \$36 million (the “September Credit Facility”), each of which was also completed on September 22, 2014. With a portion of the proceeds from the September Credit Facility, the Company paid off its May Credit Facility and its senior unsecured credit facility consisting of a term loan of \$17 million entered into on September 8, 2014 (the “Novatel Acquisition Term Loan”) for the purpose of acquiring an ownership interest in Novatel Wireless, Inc. The September Credit Facility was subsequently repaid using the proceeds from HC2’s issuance of its Existing Notes discussed below under Note 8—“Long-Term Obligations”. GMSL is a leading provider of engineering and underwater services on submarine cables. In conjunction with the acquisition, approximately 3% of the Company’s interest in GMSL was purchased by a group of individuals, leaving the Company’s controlling interest as of March 31, 2015 at approximately 97%.

In our Telecommunications segment, we operate a telecommunications business including a network of direct routes and provide premium voice communication services for national telecom operators, mobile operators, wholesale carriers, prepaid operators, Voice over Internet Protocol (“VoIP”) service operators and Internet service providers (“ISPs”) from our International Carrier Services (“ICS”) business unit.

In our Life Sciences segment, we operate Pansend, LLC (“Pansend”), which has an 80% interest in Genovel Orthopedics, Inc., which seeks to develop products to treat early osteoarthritis of the knee, and a 61% interest in R2 Dermatology (f/k/a “GemDerm Aesthetics, Inc.”), which develops skin lightening technology.

Additionally, in 2014 we acquired a 100% ownership interest in DMi, Inc. (“DMi”), which owns licenses to create and distribute NASCAR® video games.

HC2 HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

(UNAUDITED)

The Company currently has six reportable operating segments based on management's organization of the enterprise—Manufacturing (Schuff), Marine Services (GMSL), Utilities (ANG), Telecommunications (ICS), Life Sciences and Other, which includes operations that do not meet the separately reportable segment thresholds.

HC2 was formed as a corporation under the laws of Delaware in 1994 and operates as a holding company of operating subsidiaries primarily in the United States and the United Kingdom.

Restatement of Consolidated Financial Statements

On February 21, 2016, the Company determined that it needed to restate previously reported financial statements for the year ended December 31, 2014 and the fiscal quarters ended June 30, 2014, September 30, 2014, March 31, 2015, June 30, 2015 and September 30, 2015 to correct errors resulting from material weaknesses that the Company identified in its internal control over accounting for income taxes, valuation of a business acquisition and the application of generally accepted accounting principles (GAAP) to complex and/or non-routine transactions. In particular, the Company is restating its Condensed Consolidated Financial Statements for the three months ended March 31, 2015 to correct the improper recording of items related to the following:

The Company completed the acquisition of GMSL on September 22, 2014, but treated the acquisition as having closed on September 30, 2014. As a result, eight days of activity were excluded from the results of operations. In addition, the Company subsequently identified items related to the opening balance sheet as well as conforming balance sheet reclassifications related to the purchase accounting for GMSL.

The Company incorrectly valued our share-based compensation expense. Options were entitled to be received between May and September of 2014, but which were actually issued on October 28, 2014. The Company incorrectly recorded the fair value of the options using the issuance date of October 28, 2014 rather than the earlier measurement date under US GAAP.

The Company amended the valuation of the ANG business acquisition which resulted in goodwill.

- The Company reclassified redeemable non-controlling interest from permanent equity to temporary equity.

The Company identified other income which was recognized in the three months ended September 30, 2015, but should have been recorded in the three months ended March 31, 2015 and June 30, 2015.

The Company reclassified certain pension liabilities between current and non-current as well as accrued expenses and other current assets.

The Company corrected the March 31, 2014 Condensed Consolidated Statement of Cash Flows to reclassify funds released from escrow which related to the sale of business units from operating activities to investing activities.

As a result, the Company concluded that the financial statements for the three month period ended March 31, 2015 were materially misstated. The consolidated statement of operations, consolidated statement of comprehensive income (loss), consolidated balance sheets, consolidated statement of stockholders' equity and consolidated statement of cash flows, as well as the corresponding Notes to the Condensed Consolidated Financial Statements have been restated to reflect the correction of the aforementioned errors.

The following tables provide a reconciliation of the amounts previously reported to the restated amounts for the quarter ended March 31, 2015:

HC2 HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

Three Months Ended March 31, 2015

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	As Reported	Adjustments	As Restated
Services revenue	\$73,718	\$—	\$73,718
Sales revenue	128,090	—	128,090
Net revenue	201,808	—	201,808
Operating expenses:			
Cost of revenue - services	61,920	—	61,920

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HC2 HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(UNAUDITED)

Cost of revenue - sales	110,536	—	110,536
Selling, general and administrative	23,053	459	23,512
Depreciation and amortization	5,006	249	5,255
(Gain) loss on sale or disposal of assets	473	—	473
Total operating expenses	200,988	708	201,696
Income/(loss) from operations	820	(708)	112
Interest expense	(8,608)	) —	(8,608)
Amortization of debt discount	(92)	) —	(92)
Interest income and other expense, net	193	351	544
Foreign currency transaction loss	(771)	) —	(771)
Loss from continuing operations before income taxes and loss from equity investees	(8,458)	) (357)	(8,815)
Loss from equity investees	(2,688)	) —	(2,688)
Income tax benefit (expense)	5,833	181	6,014
Loss from continuing operations	(5,313)	) (176)	(5,489)
Gain/(loss) from discontinued operations	(9)	) —	(9)
Loss from sale of discontinued operations	—	—	—
Net loss	(5,322)	) (176)	(5,498)
Less: Net loss attributable to noncontrolling interest	261	—	261
Net loss attributable to HC2 Holdings, Inc.	(5,061)	) (176)	(5,237)
Less: Preferred stock dividends and accretion	1,088	—	1,088
Net loss attributable to common stock and participating preferred stockholders	\$(6,149)	) \$(176)	\$(6,325)
Basic loss per common share:			
Loss from continuing operations attributable to HC2 Holdings, Inc.	\$(0.25)	) \$(0.01)	\$(0.26)
Loss from discontinued operations	—	—	—
Loss from sale of discontinued operations	—	—	—
Net income (loss) attributable to HC2 Holdings, Inc.	\$(0.25)	) \$(0.01)	\$(0.26)
Diluted loss per common share:			
Loss from continuing operations attributable to HC2 Holdings, Inc.	\$(0.25)	) \$(0.01)	\$(0.26)
Loss from discontinued operations	—	—	—
Loss from sale of discontinued operations	—	—	—
Net loss attributable to HC2 Holdings, Inc.	\$(0.25)	) \$(0.01)	\$(0.26)
Weighted average common shares outstanding:			
Basic	24,146	—	24,146
Diluted	24,146	—	24,146
Amounts attributable to common shareholders of HC2 Holdings, Inc.			
Loss from continuing operations attributable to HC2 Holdings, Inc.	\$(6,140)	) \$(176)	\$(6,316)
Gain/(loss) from discontinued operations	(9)	) —	(9)
Loss from sale of discontinued operations	—	—	—
Net loss attributable to HC2 Holdings, Inc.	\$(6,149)	) \$(176)	\$(6,325)

HC2 HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(UNAUDITED)

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

	Three Months Ended March 31, 2015		
	As Reported	Adjustments	As Restated
Net income (loss)	\$(5,322)	) \$(176)	) \$(5,498)
Other comprehensive income (loss)			
Foreign currency translation adjustment	(4,361)	) —	(4,361)
Unrealized gain (loss) on available-for-sale securities, net of tax	(762)	) 911	149
Less: Comprehensive (income) loss attributable to the noncontrolling interest	261	—	261
Comprehensive income (loss) attributable to HC2 Holdings, Inc.	\$(10,184)	) \$735	) \$(9,449)

HC2 HOLDING, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	As of March 31, 2015		
	As Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	\$128,872	\$—	\$128,872
Short-term investments	11,768	—	11,768
Accounts receivable (net of allowance for doubtful accounts receivable of \$2,675 and \$2,760 at March 31, 2015 and December 31, 2014, respectively)	195,878	—	195,878
Costs and recognized earnings in excess of billings on uncompleted contracts	24,656	—	24,656
Deferred tax asset - current	1,701	—	1,701
Inventories	17,062	—	17,062
Prepaid expenses and other current assets	29,337	—	29,337
Assets held for sale	11,485		