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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 20, 2015

HC2 HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-35210	54-1708481
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS. Employer Identification No.)

**505 Huntmar Park Drive #325
Herndon, VA 20170
(Address of principal executive offices) (Zip Code)**

Registrant's telephone number, including area code: (703) 865-0700

**Not Applicable
(Former name or former address, if changed since last report.)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

On April 15, 2015, HC2 Holdings, Inc., a Delaware corporation (the "Company"), filed a Current Report on Form 8-K with the Securities and Exchange Commission announcing that the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Continental General Corporation, a Nebraska corporation, and Great American Financial Resources, Inc., a Delaware corporation (collectively, the "Sellers"), pursuant to which the Company agreed to purchase from the Sellers all of the issued and outstanding shares of common stock of United Teacher Associates Insurance Company, a Texas life insurance company ("UTAIC"), and Continental General Insurance Company, an Ohio life insurance company ("CGIC" and, together with UTAIC, the "Acquired Businesses"), as well as all assets owned by the Sellers or their affiliates that are used exclusively or primarily in the business of the Acquired Businesses, subject to certain exceptions (the "Acquisitions").

In connection with the Acquisitions, the Company is furnishing this Current Report on Form 8-K in order to make publicly available certain historical financial information of the Acquired Businesses and unaudited pro forma financial information of the Company reflecting the Acquisitions as Exhibits 99.1, 99.2, 99.3, 99.4 and 99.5.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

Audited financial statements of United Teacher Associates Insurance Company, as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, and the notes related thereto.

Unaudited financial statements of United Teacher Associates Insurance Company as of September 30, 2015 and for the nine month periods ended September 30, 2015 and 2014, and the notes related thereto.

Audited financial statements of Continental General Insurance Company, as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, and the notes related thereto.

Unaudited financial statements of Continental General Insurance Company as of September 30, 2015 and for the nine month periods ended September 30, 2015 and 2014, and the notes related thereto.

(b) Pro Forma Financial Information

Unaudited pro forma condensed combined balance sheet as of September 30, 2015, unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and for the nine months ended September 30, 2015, and the notes related thereto.

(d) Exhibits

Exhibit No.	Description
2.1	Stock Purchase Agreement, dated as of April 13, 2015, by and among HC2 Holdings, Inc., Continental General Corporation and Great American Financial Resources, Inc. (incorporated by reference to Exhibit 2.1 to HC2's Current Report on Form 8-K, filed on April 15, 2015) (File No. 001-35210).
99.1	Audited financial statements of United Teacher Associates Insurance Company, as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 and the notes related thereto (incorporated by reference to Exhibit 99.1 to HC2's Current Report on Form 8-K, filed on September 8, 2015) (File No. 001-35210).
99.2	Unaudited financial statements of United Teacher Associates Insurance Company as of September 30, 2015 and for the nine month periods ended September 30, 2015 and 2014, and the notes related thereto.
99.3	Audited financial statements of Continental General Insurance Company, as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, and the notes related thereto (incorporated by reference to Exhibit 99.3 to HC2's Current Report on Form 8-K, filed on September 8, 2015) (File No. 001-35210).
99.4	Unaudited financial statements of Continental General Insurance Company as of September 30, 2015 and for the nine month periods ended September 30, 2015 and 2014, and the notes related thereto.
99.5	Unaudited pro forma condensed combined balance sheet as of September 30, 2015, unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and for the nine months ended September 30, 2015, and the notes related thereto.

SIGNATURE

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 hereunto duly authorized.

	HC2 Holdings, Inc.	
	(Registrant)	
Date: November 20, 2015	By:	/s/ Michael Sena
	Name:	Michael Sena
	Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 99.2

UNITED TEACHER ASSOCIATES INSURANCE COMPANY

Financial Statements (Unaudited)

Nine months ended September 30, 2015 and 2014

GreatAmericanInsuranceGroup.com

Ernst & Young LLP
1900 Scripps Center
312 Walnut Street
Cincinnati, OH 45202

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Review Report of Independent Auditors

The Board of Directors
United Teacher Associates Insurance Company

We have reviewed the financial information of United Teacher Associates Insurance Company, which comprise the balance sheet as of September 30, 2015, and the related statements of earnings, comprehensive income, changes in equity and cash flows for the nine-month periods ended September 30, 2015 and 2014.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 19, 2015

UNITED TEACHER ASSOCIATES INSURANCE COMPANY
BALANCE SHEET (UNAUDITED)
(Dollars in Thousands, Except Per Share Data)

	September 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	$ 20,369	$ 42,372
Investments:		
Fixed maturities, available for sale at fair value (amortized cost - $927,545 and $861,910)	1,021,439	983,088
Equity securities, available for sale at fair value (cost - $64,512 and $59,441)	61,784	61,833
Policy loans	15,674	15,930
Other investments	4,146	2,455
Total cash and investments	1,123,412	1,105,678
Recoverables from reinsurers	178,963	185,128
Deferred policy acquisition costs	47,308	52,133
Accrued investment income	12,691	11,535
Other assets	5,457	6,160
Total assets	$ 1,367,831	$ 1,360,634
Liabilities and Equity:		
Annuity benefits accumulated	$ 189,230	$ 194,785
Life, accident and health reserves	955,407	947,642
Net deferred tax liability	1,509	3,483
Other liabilities	14,588	12,541
Total liabilities	1,160,734	1,158,451
Shareholder's Equity:		
Common stock, par value - $1 per share:		
- 5,000,000 shares authorized		
- 2,500,005 shares issued and outstanding	2,500	2,500
Capital surplus	149,263	149,040
Retained earnings	35,717	30,336
Accumulated other comprehensive income, net of tax	19,617	20,307
Total shareholder's equity	207,097	202,183
Total liabilities and shareholder's equity	$ 1,367,831	$ 1,360,634

See notes to financial statements.

UNITED TEACHER ASSOCIATES INSURANCE COMPANY
STATEMENT OF EARNINGS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Revenues:		
Life, accident and health net earned premiums	$ 53,719	$ 53,608
Net investment income	45,532	45,758
Realized gains (losses) on securities (*)	(4,516)	147
Other income	27	19
Total revenues	94,762	99,532
Cost and expenses:		
Annuity benefits	5,448	5,484
Life, accident and health benefits	59,972	74,140
Insurance acquisition expenses, net	12,322	12,800
Other operating and general expenses	9,503	9,064
Total costs and expenses	87,245	101,488
Earnings (loss) before income taxes	7,517	(1,956)
Provision (benefit) for income taxes	2,136	(895)
Net earnings (loss)	$ 5,381	$ (1,061)
(*) Consists of the following:		
Realized gains (losses) before impairments	$ (133)	$ 1,647
Losses on securities with impairment	(4,393)	(1,500)
Non-credit portion recognized in other comprehensive income (loss)	10	-
Impairment charges recognized in earnings	(4,383)	(1,500)
Total realized gains (losses) on securities	$ (4,516)	$ 147

See notes to financial statements.

UNITED TEACHER ASSOCIATES INSURANCE COMPANY
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Comprehensive Income:		
Net earnings (loss)	$ 5,381	$ (1,061)
Other comprehensive income, net of tax:		
Net unrealized gains (losses) on securities:		
Unrealized holding gains (losses) on securities arising during the period	(3,625)	15,420
Reclassification adjustment for realized losses (gains) included in net earnings (loss)	2,935	(96)
Total net unrealized gains (losses) on securities	(690)	15,324
Total comprehensive income, net of tax	$ 4,691	$ 14,263

See notes to financial statements.

UNITED TEACHER ASSOCIATES INSURANCE COMPANY
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Dollars in Thousands)

		Shareholder's Equity			
	Common Shares	Common Stock and Capital Surplus	Retained Earnings	Accumulated Other Comp Inc. (Loss)	Total
Balance at December 31, 2014	2,500,005	$ 151,540	$ 30,336	$ 20,307	$ 202,183
Net earnings	-	-	5,381	-	5,381
Other comprehensive loss	-	-	-	(690)	(690)
Other	-	223	-	-	223
Balance at September 30, 2015	2,500,005	$ 151,763	$ 35,717	$ 19,617	$ 207,097

See notes to financial statements.

UNITED TEACHER ASSOCIATES INSURANCE COMPANY
STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Operating Activities:		
Net earnings (loss)	$ 5,381	$ (1,061)
Adjustments:		
Depreciation and amortization	(381)	(875)
Annuity benefits	5,448	5,484
Realized (gains) losses on investing activities	4,516	(147)
Deferred annuity and life policy acquisition costs	(319)	(413)
Amortization of insurance acquisition costs	5,317	5,388
Change in:		
Life, accident and health reserves	38,813	54,828
Recoverables from reinsurers	6,165	(5,705)
Accrued investment income	(1,156)	(247)
Net deferred tax liability	(1,643)	1,880
Other assets	940	(1,308)
Other liabilities	327	(2,734)
Other operating activities, net	(1,774)	(38)
Net cash provided by operating activities	61,634	55,052
Investing Activities:		
Purchases of:		
Fixed maturities	(123,887)	(67,556)
Equity securities	(10,005)	(19,464)
Other investments	(1,658)	(1,322)
Proceeds from:		
Maturities and redemptions of fixed maturities	54,731	40,260
Sales of fixed maturities	3,542	4,929
Sales of equity securities	2,583	402
Other investments	522	2,853
Other investing activities, net	256	378
Net cash used in investing activities	(73,916)	(39,520)
Financing Activities:		
Annuity receipts	2,437	2,806
Annuity surrenders, benefits and withdrawals	(12,158)	(11,907)
Net cash used in financing activities	(9,721)	(9,101)
Net Change in Cash and Cash Equivalents	(22,003)	6,431
Cash and cash equivalents at beginning of period	42,372	19,774
Cash and cash equivalents at end of period	$ 20,369	$ 26,205

See notes to financial statements.

A. Accounting Policies

Basis of Presentation The accompanying interim financial statements are unaudited; however, management believes that all adjustments (consisting of normal recurring accruals unless otherwise indicated) necessary for a fair presentation have been made. The results of operations for interim periods are not necessarily indicative of results expected for the year. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting. These unaudited financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014. There are no changes to our significant accounting policies described in our audited financial statements.

The financial statements include the accounts of United Teacher Associates Insurance Company ("UTAIC" or the "Company"). UTAIC is a direct wholly-owned subsidiary of Great American Financial Resources, Inc. ("GAFRI"), a financial services holding company wholly-owned by American Financial Group, Inc. ("AFG"). The financial statements also include costs paid on behalf of UTAIC by GAFRI. These costs are recorded as expense in the period incurred and shown as an increase in capital surplus.

Although the Company does not currently market any life, annuity or long-term care insurance, UTAIC's product portfolio includes a diversified mix of closed blocks of life, annuity and long-term care ("LTC") health insurance products.

The Company accepts new premium sales (Medicare supplement, critical illness and other non-health products), for certain states, through a reinsurance fronting agreement, whereby the Company reinsures 100% of these premiums through a coinsurance agreement with Loyal American Life Insurance Company, a Cigna subsidiary.

Fair Value Measurements Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The standards establish a hierarchy of valuation techniques based on whether the assumptions that market participants would use in pricing the asset or liability ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect UTAIC's assumptions about the assumptions market participants would use in pricing the asset or liability.

Investments Fixed maturity and equity securities classified as "available for sale" are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income ("AOCI") in UTAIC's Balance Sheet. Policy loans are carried primarily at the aggregate unpaid balance.

Premiums and discounts on fixed maturity securities are amortized using the interest method. Mortgage-backed securities ("MBS") are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations.

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

Derivatives Derivatives included in UTAIC's Balance Sheet are recorded at fair value and consist of components of certain fixed maturity securities (primarily interest-only MBS). Changes in fair value of derivatives are included in earnings.

Deferred Policy Acquisition Costs ("DPAC") Policy acquisition costs (principally commissions and certain underwriting and policy issuance costs) directly related to the successful acquisition or renewal of an insurance contract are deferred. DPAC also includes capitalized costs associated with sales inducements offered to fixed annuity policyholders such as enhanced interest rates and premium and persistency bonuses.

DPAC related to annuities is deferred to the extent deemed recoverable and amortized, with interest, in relation to the present value of actual and expected gross profits on the policies. Expected gross profits consist principally of estimated future investment margin (estimated future net investment income less interest credited on policyholder funds) and surrender, mortality, and other life and annuity policy charges, less death, annuitization and estimated future policy administration expenses. To the extent that realized gains and losses result in adjustments to the amortization of DPAC related to annuities, such adjustments are reflected as components of realized gains (losses) on securities.

DPAC related to traditional life and health insurance is amortized over the expected premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. See *"Life, Accident and Health Reserves"* below for details on the impact of loss recognition on the accounting for traditional life and health insurance contracts.

DPAC includes the present value of future profits on business in force of annuity, life, accident and health insurance companies acquired ("PVFP"). PVFP represents the portion of the costs to acquire companies that is allocated to the value of the right to receive future cash flows from insurance contracts existing at the date of acquisition. PVFP is amortized with interest in relation to expected gross profits of the acquired policies for annuities and in relation to the premium paying period for traditional life and health insurance products.

DPAC and certain other balance sheet amounts related to annuity and life businesses are also adjusted, net of tax, for the change in expense that would have been recorded if the unrealized gains (losses) from securities had actually been realized. These adjustments are included in unrealized gains (losses) on marketable securities, a component of AOCI in UTAIC's Balance Sheet.

Reinsurance Premium revenue and benefits are reported net of the amounts related to reinsurance ceded to and assumed from other companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. Amounts received from reinsurers that represent recovery of acquisition costs are netted against DPAC, so that the net amount is capitalized. The cost of reinsurance is accounted for over the term of the related treaties using assumptions consistent with those used to account for the underlying reinsured policies.

Annuity Benefits Accumulated Annuity receipts and benefit payments are recorded as increases or decreases in annuity benefits accumulated rather than as revenue and expense. Increases in this liability (primarily interest credited) are charged to expense and decreases for charges are credited to annuity policy charges revenue. Reserves for traditional fixed annuities are generally recorded at the stated account value.

Life, Accident and Health Reserves Liabilities for future policy benefits under traditional life, accident and health policies are computed using the net level premium method. Computations are based on the original projections of investment yields, mortality, morbidity and surrenders and include provisions for unfavorable deviations unless a loss recognition event (premium deficiency) occurs. Claim reserves and liabilities established for accident and health claims are modified as necessary to reflect actual experience and developing trends.

For long-duration contracts (such as traditional life and long-term care insurance policies), loss recognition occurs when, based on current expectations as of the measurement date, existing contract liabilities plus the present value of future premiums (including reasonably expected rate increases) are not expected to cover the present value of future claims payments and related settlement and maintenance costs (excluding overhead) as well as unamortized acquisition costs. If a block of business is determined to be in loss recognition, a charge is recorded in earnings in an amount equal to the excess of the present value of expected future claims costs and unamortized acquisition costs over existing reserves plus the present value of expected future premiums (with no provision for adverse deviation). The charge is recorded first to reduce unamortized acquisition costs and then as an additional reserve (if unamortized acquisition costs have been reduced to zero).

In addition, reserves for traditional life and long-term care insurance policies are subject to adjustment for loss recognition charges that would have been recorded if the unrealized gains from securities had actually been realized. This adjustment is included in unrealized gains (losses) on marketable securities, a component of AOCI in UTAIC's Balance Sheet.

Premium Recognition For traditional life, accident and health products, premiums are recognized as revenue when legally collectible from policyholders.

Income Taxes The Company has an intercompany tax allocation agreement with AFG. Pursuant to the agreement, the Company's tax expense is determined based upon its inclusion in the consolidated tax return of AFG and its includable subsidiaries. Estimated payments are made quarterly during the year. Following year-end, additional settlements are made on the original due date of the return and, when extended, at the time the return is filed. The method of allocation among the companies under the agreement is based upon separate return calculations with current credit for losses to the extent the losses provide a benefit in the consolidated return.

Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. A valuation allowance is established to reduce total deferred tax assets to an amount that will more likely than not be realized.

UTAIC recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained under examination by the appropriate taxing authority. Interest and penalties on UTAIC's reserve for uncertain tax positions are recognized as a component of tax expense.

Benefit Plans UTAIC provides retirement benefits to qualified employees of participating companies through the AFG 401(k) Retirement and Savings Plan, a defined contribution plan. AFG and its subsidiaries make all contributions to the retirement fund portion of the plan and match a percentage of employee contributions to the savings fund. Company contributions are expensed in the year for which they are declared.

Statement of Cash Flows For cash flow purposes, "investing activities" are defined as making and collecting loans and acquiring and disposing of debt or equity instruments and property and equipment. "Financing activities" include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. Annuity receipts, surrenders, benefits and withdrawals are also reflected as financing activities. All other activities are considered "operating." Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

B. Fair Value Measurements

Accounting standards for measuring fair value are based on inputs used in estimating fair value. The three levels of the hierarchy are as follows:

Level 1 — Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). UTAIC's Level 1 financial instruments consist primarily of publicly traded equity securities and highly liquid government bonds for which quoted market prices in active markets are available.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. UTAIC's Level 2 financial instruments include corporate and municipal fixed maturity securities, mortgage-backed securities ("MBS") and non-affiliated common stocks priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 — Valuations derived from market valuation techniques generally consistent with those used to estimate the fair values of Level 2 financial instruments in which one or more significant inputs are unobservable or when the market for a security exhibits significantly less liquidity relative to markets supporting Level 2 fair value measurements. The unobservable inputs may include management's own assumptions about the assumptions market participants would use based on the best information available in the circumstances. UTAIC's Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information.

UTAIC's management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. The Company's internal investment professionals are a group of approximately 20 analysts whose primary responsibility is to manage AFG's investment portfolio. These professionals monitor individual investments as well as overall industries and are active in the financial markets on a daily basis. The group is led by AFG's chief investment officer, who reports directly to one of AFG's Co-CEOs. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, AFG communicates directly with the pricing service regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities.

Assets measured and carried at fair value in the financial statements are summarized below (in thousands):

September 30, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Available for sale ("AFS") fixed maturities:				
U.S. Government and government agencies	$ 4,128	$ 7,406	$ -	$ 11,534
States, municipalities and political subdivisions	-	320,003	5,559	325,562
Foreign government	-	4,675	-	4,675
Residential MBS	-	109,170	23,391	132,561
Commercial MBS	-	56,288	2,983	59,271
Asset-backed securities ("ABS")	-	27,351	2,138	29,489
Corporate and other	2,485	447,607	8,255	458,347
Total AFS fixed maturities	6,613	972,500	42,326	1,021,439
Equity securities	54,416	4,794	2,574	61,784
Total assets accounted for at fair value	$ 61,029	$ 977,294	$ 44,900	$ 1,083,223

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Available for sale fixed maturities:				
U.S. Government and government agencies	$ 6,816	$ 5,987	$ -	$ 12,803
States, municipalities and political subdivisions	-	313,429	5,757	319,186
Foreign government	-	4,697	-	4,697
Residential MBS	-	130,457	17,331	147,788
Commercial MBS	-	61,675	3,128	64,803
Asset-backed securities	-	31,560	4,142	35,702
Corporate and other	536	389,472	8,101	398,109
Total AFS fixed maturities	7,352	937,277	38,459	983,088
Equity securities	54,782	3,005	4,046	61,833
Total assets accounted for at fair value	$ 62,134	$ 940,282	$ 42,505	$ 1,044,921

At September 30, 2015 and December 31, 2014 no liabilities were carried at fair value.

Transfers between Level 1 and Level 2 for all periods presented were a result of increases or decreases in trade frequency. During the nine months ended September 30, 2015 there was one common stock with a fair value of $139,000 transferred from Level 2 to Level 1 and one perpetual preferred stock with a fair value of $1 million transferred from Level 1 to level 2. There was one perpetual preferred stock with a fair value of $1 million transferred from Level 2 to Level 1 and one perpetual preferred stock with a fair value of $1 million transferred from Level 1 to Level 2 during the nine months ended September 30, 2014. Approximately 4% of the total assets carried at fair value on September 30, 2015, were Level 3 assets. Approximately 63% ($28 million) of the Level 3 assets were priced using non-binding broker quotes, for which there is a lack of transparency as to the inputs used to determine fair value. Details as to the quantitative inputs are neither provided by the brokers nor otherwise reasonably obtainable by UTAIC. Since internally developed Level 3 asset fair values represent less than of 1% of the total assets measured at fair value and approximately only 4% of UTAIC’s shareholder’s equity, changes in unobservable inputs used to determine internally developed fair values would not have a material impact on UTAIC’s financial position.

Changes in balances of Level 3 financial assets carried at fair value during the nine months ended September 30, 2015 and 2014 are presented below (in thousands). The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2014	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2015
AFS fixed maturities:								
State and municipal	$ 5,757	$ 291	$ (489)	$ -	$ -	$ -	$ -	$ 5,559
Residential MBS	17,331	(1,729)	124	-	(291)	11,611	(3,655)	23,391
Commercial MBS	3,128	(45)	(100)	-	-	-	-	2,983
Asset-backed securities	4,142	(24)	20	-	(2,000)	-	-	2,138
Corporate and other	8,101	(325)	(248)	-	(242)	969	-	8,255
Equity securities	4,046	(348)	(157)	-	-	-	(967)	2,574

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2013	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2014
AFS fixed maturities:								
State and municipal	$ -	$ -	$ -	$ -	$ -	$ 6,567	$ -	$ 6,567
Residential MBS	25,832	(948)	210	-	(425)	6,709	(16,533)	14,845
Commercial MBS	2,714	(11)	255	-	-	-	-	2,958
Asset-backed securities	4,404	32	58	-	(2,375)	2,008	-	4,127
Corporate and other	6,717	(127)	(197)	-	(1,199)	3,024	-	8,218
Equity securities	1,288	16	128	2,250	-	1,503	(1,337)	3,848

Fair Value of Financial Instruments The carrying value and fair value of financial instruments that are not carried at fair value in the financial statements at September 30, 2015 and December 31, 2014 are summarized below (in thousands):

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
September 30, 2015					
Financial assets:					
Cash and cash equivalents	$ 20,369	$ 20,369	$ 20,369	$ -	$ -
Policy loans	15,674	15,674	-	-	15,674
Total financial assets not accounted for at fair value	$ 36,043	$ 36,043	$ 20,369	$ -	$ 15,674
Financial liabilities:					
Annuity benefits accumulated(*)	$ 188,666	$ 197,434	$ -	$ -	$ 197,434
Total financial liabilities not accounted for at fair value	$ 188,666	$ 197,434	$ -	$ -	$ 197,434

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2014					
Financial assets:					
Cash and cash equivalents	$ 42,372	$ 42,372	$ 42,372	$ -	$ -
Policy loans	15,930	15,930	-	-	15,930
Total financial assets not accounted for at fair value	$ 58,302	$ 58,302	$ 42,372	$ -	$ 15,930
Financial liabilities:					
Annuity benefits accumulated(*)	$ 194,425	$ 208,782	$ -	$ -	$ 208,782
Total financial liabilities not accounted for at fair value	$ 194,425	$ 208,782	$ -	$ -	$ 208,782

(*) Excludes $564 and $360 of life contingent annuities in the payout phase at September 30, 2015 and December 31, 2014, respectively.

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. The fair value of policy loans is estimated to approximate carrying value; policy loans have no defined maturity dates and are inseparable from insurance contracts. The fair value of annuity benefits was estimated based on expected cash flows discounted using forward interest rates adjusted for the Company's credit risk and includes the impact of maintenance expenses and capital costs.

C. Investments

Available for sale fixed maturities and equity securities at September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	September 30, 2015				December 31, 2014			
	Amortized	Fair	Gross Unrealized		Amortized	Fair	Gross Unrealized	
	Cost	Value	Gains	Losses	Cost	Value	Gains	Losses
Fixed Maturities:								
U.S. Government and government agencies	$ 10,787	$ 11,534	$ 747	$ -	$ 12,026	$ 12,803	$ 777	$ -
States, municipalities and political subdivisions	289,417	325,562	38,277	(2,132)	275,519	319,186	44,058	(391)
Foreign government	3,982	4,675	693	-	3,982	4,697	715	-
Residential MBS	120,004	132,561	12,925	(368)	133,208	147,788	15,147	(567)
Commercial MBS	56,115	59,271	3,156	-	60,345	64,803	4,458	-
Asset-backed securities	28,817	29,489	728	(56)	35,030	35,702	759	(87)
Corporate and other	418,423	458,347	44,513	(4,589)	341,800	398,109	56,853	(544)
Total fixed maturities	$ 927,545	$ 1,021,439	$ 101,039	$ (7,145)	$ 861,910	$ 983,088	$ 122,767	$ (1,589)
Common stocks	$ 37,255	$ 34,353	$ 1,548	$ (4,450)	$ 37,719	$ 39,691	$ 3,254	$ (1,282)
Perpetual preferred stocks	$ 27,257	$ 27,431	$ 641	$ (467)	$ 21,722	$ 22,142	$ 674	$ (254)

The non-credit related portion of other-than-temporary impairment charges is included in other comprehensive income. Cumulative non-credit charges taken for securities still owned at September 30, 2015 and December 31, 2014, respectively, were $5.7 million and $5.8 million. Gross unrealized gains on such securities at September 30, 2015 and December 31, 2014 were $3.5 million and $4.0 million, respectively. Gross unrealized losses on such securities at September 30, 2015 and December 31, 2014 were $314,000 and $303,000, respectively. These amounts represent the non-credit other-than-temporary impairment charges recorded in AOCI adjusted for subsequent changes in fair values and relate to residential MBS.

The following tables show gross unrealized losses (dollars in thousands) on fixed maturities and equity securities by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2015 and December 31, 2014.

	Less Than Twelve Months			Twelve Months or More		
September 30, 2015	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
Fixed Maturities:						
U.S. Government and government agencies	$ -	$ 74	100%	$ -	$ -	-%
States, municipalities and political subdivisions	(1,731)	39,176	96%	(401)	4,256	91%
Residential MBS	(49)	4,852	99%	(319)	13,672	98%
Commercial MBS	-	-	-%	-	-	-%
Asset-backed securities	(44)	5,770	99%	(12)	1,988	99%
Corporate and other	(4,589)	85,115	95%	-	-	-%
Total fixed maturities	$ (6,413)	$ 134,987	95%	$ (732)	$ 19,916	96%
Common stocks	$ (4,450)	$ 22,568	84%	$ -	$ -	-%
Perpetual preferred stocks	$ (234)	$ 10,301	98%	$ (233)	$ 5,268	96%

	Less Than Twelve Months			Twelve Months or More		
December 31, 2014	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
Fixed Maturities:						
U.S. Government and government agencies	$ -	$ -	-%	$ -	$ -	-%
States, municipalities and political subdivisions	-	-	-%	(391)	11,161	97%
Residential MBS	(331)	21,576	98%	(236)	6,021	96%
Commercial MBS	-	-	-%	-	-	-%
Asset-backed securities	(62)	6,415	99%	(25)	6,123	100%
Corporate and other	(474)	5,154	92%	(70)	6,173	99%
Total fixed maturities	$ (867)	$ 33,145	97%	$ (722)	$ 29,478	98%
Common stocks	$ (779)	$ 14,298	95%	$ (503)	$ 4,474	90%
Perpetual preferred stocks	$ (254)	$ 8,246	97%	$ -	$ -	-%

At September 30, 2015, the gross unrealized losses on fixed maturities of $7.1 million relate to 126 securities. Investment grade securities (as determined by nationally recognized rating agencies) represented approximately 86% of the gross unrealized loss and 80% of the fair value.

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:

a) whether the unrealized loss is credit-driven or a result of changes in market interest rates,
b) the extent to which fair value is less than cost basis,
c) cash flow projections received from independent sources,
d) historical operating, balance sheet and cash flow data contained in issuer SEC filings and news releases,
e) near-term prospects for improvement in the issuer and/or its industry,
f) third party research and communications with industry specialists,
g) financial models and forecasts,
h) the continuity of dividend payments, maintenance of investment grade ratings and hybrid nature of certain investments,
i) discussions with issuer management, and
j) ability and intent to hold the investment for a period of time sufficient to allow for anticipated recovery in fair value.

UTAIC analyzes its MBS securities for other-than-temporary impairment 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. For the nine months ended September 30, 2015 and 2014, UTAIC recorded $140,000 and $0, respectively, in other-than-temporary impairment charges related to its residential MBS.

UTAIC recorded $3.4 million in other-than-temporary impairment charges on common stocks in for the nine months ended September 30, 2015. At September 30, 2015, the gross unrealized losses on common stocks of $4.4 million relate to 24 securities, no securities have been in an unrealized loss position for more than 12 months.

Management believes UTAIC will recover its cost basis in the securities with unrealized losses and that UTAIC has the ability to hold the securities until they recover in value and had no intent to sell them at September 30, 2015.

A progression of the credit portion of other-than-temporary impairments on fixed maturity securities for which the non-credit portion of an impairment has been recognized in other comprehensive income is shown below (in thousands):

	2015	2014
Balance at January 1	$ 4,256	$ 4,307
Additional credit impairments on:		
Securities without prior impairments	140	-
Reductions due to sales or redemptions	(85)	(98)
Balance at September 30	$ 4,311	$ 4,209

The table below sets forth the scheduled maturities of available for sale fixed maturities as of September 30, 2015 (dollars in thousands). Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

Maturity	Amortized Cost	Fair Value Amount	Fair Value %
One year or less	$ 19,570	$ 19,951	2%
After one year through five years	104,279	112,521	11%
After five years through ten years	114,789	124,126	12%
After ten years	483,971	543,520	53%
Subtotal	722,609	800,118	78%
MBS (average life of approximately 5 years)	176,119	191,832	19%
ABS (average life of approximately 5.5 years)	28,817	29,489	3%
Total	$ 927,545	$ 1,021,439	100%

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.

There were no investments in individual issuers that exceeded 10% of Shareholder’s Equity at September 30, 2015 or December 31, 2014.

Net Unrealized Gain on Marketable Securities In addition to adjusting equity securities and fixed maturity securities classified as "available for sale" to fair value, GAAP requires that deferred policy acquisition costs and certain other balance sheet amounts related to annuity, life and health businesses be adjusted to the extent that unrealized gains and losses from securities would result in adjustments to those balances had the unrealized gains or losses actually been realized. The following table shows (in thousands) the components of the net unrealized gain on securities that is included in AOCI in UTAIC's Balance Sheet.

	September 30, 2015		
	Pretax	Deferred Tax	Net
Unrealized gain (loss) on:			
Fixed maturity securities	$ 93,894	$ (32,864)	$ 61,030
Equity securities	(2,728)	955	(1,773)
Deferred policy acquisition costs	(5,616)	1,966	(3,650)
Life, accident & health reserves	(55,370)	19,380	(35,990)
	$ 30,180	$ (10,563)	$ 19,617

	December 31, 2014		
	Pretax	Deferred Tax	Net
Unrealized gain on:			
Fixed maturity securities	$ 121,178	$ (42,412)	$ 78,766
Equity securities	2,392	(837)	1,555
Deferred policy acquisition costs	(5,909)	2,068	(3,841)
Life, accident & health reserves	(86,420)	30,247	(56,173)
	$ 31,241	$ (10,934)	$ 20,307

Net Investment Income The following table shows (in thousands) investment income earned and investment expenses incurred for the nine months ended September 30.

	2015	2014
Investment income		
Fixed maturities	$ 40,724	$ 40,858
Equity securities	3,620	3,804
Policy loans	778	1
Other	659	1,171
Gross investment income	45,781	45,834
Investment expenses	(249)	(76)
Net investment income	$ 45,532	$ 45,758

UTAIC's investment portfolio is managed by a subsidiary of AFG. Investment expenses included investment management fees charged by this subsidiary of $184,000 and $6,000 for the nine months ended September 30, 2015 and 2014, respectively.

Realized gains (losses) and changes in unrealized appreciation (depreciation) related to fixed maturity and equity security investments are summarized as follows (in thousands):

	Fixed Maturities	Equity Securities	Mortgage Loans and Other Investments	Other (a)	Tax Effects	Total
Nine months ended September 30, 2015						
Realized before impairments	$ (983)	$ 958	$ -	$ (108)	$ 47	$ (86)
Realized - impairments	(1,220)	(3,366)	-	203	1,534	(2,849)
Change in unrealized	(27,284)	(5,120)	-	31,343	371	(690)
Nine months ended September 30, 2014						
Realized before impairments	$ 1,285	$ 183	$ -	$ 179	$ (576)	$ 1,071
Realized - impairments	(746)	(754)	-	-	525	(975)
Change in unrealized	42,313	(573)	-	(18,165)	(8,251)	15,324

(a) Primarily adjustments to deferred policy acquisition costs and reserves related to long-term care business

Gross realized gains and losses (excluding impairment writedowns and mark-to-market of derivatives) on available for sale fixed maturity and equity security investment transactions included in the Statement of Cash Flows consisted of the following for the nine months ended September 30 (in thousands):

	2015	2014
Fixed maturities:		
Gross gains	$ 1,979	$ 730
Gross losses	(30)	(81)
Equity securities:		
Gross gains	959	183
Gross losses	-	-

D. Derivatives

UTAIC has investments in MBS that contain embedded derivatives (primarily interest-only MBS) that do not qualify for hedge accounting. UTAIC records the entire change in the fair value of these securities in earnings. These investments are part of UTAIC’s overall investment strategy, representing a small component of UTAIC’s overall investment portfolio and had a fair value of $17.5 million at September 30, 2015 and $21.5 million at December 31, 2014. The gain or loss resulting for changes in fair value of these securities is included in realized gains on securities in the Statement of Earnings and was a loss of $2.9 million for the nine months ended September 30, 2015 and a gain of $0.6 million for the nine months ended September 30, 2014.

E. Shareholder's Equity

Accumulated Other Comprehensive Income, Net of Tax (“AOCI”) Comprehensive income is defined as all changes in Shareholder’s Equity except those arising from transactions with shareholders. Comprehensive income includes net earnings and other comprehensive income, which consists primarily of changes in net unrealized gains or losses on available for sale securities.

The progression of the components of accumulated other comprehensive income follows (in thousands):

		Other Comprehensive Income			
	AOCI Beginning Balance	Pretax	Tax	Net of Tax	AOCI Ending Balance
Nine Months Ended September 30, 2015					
Net unrealized gains on securities:					
Unrealized holding gains (losses) on securities arising during the period		$ (5,577)	$ 1,952	$ (3,625)	
Reclassification adjustment for realized (gains) losses included in net earnings (a)		4,516	(1,581)	2,935	
Total net unrealized gains on securities (b)	$ 20,307	(1,061)	371	(690)	$ 19,617
Nine Months Ended September 30, 2014					
Net unrealized gains on securities:					
Unrealized holding gains (losses) on securities arising during the period		$ 23,722	$ (8,302)	$ 15,420	
Reclassification adjustment for realized (gains) losses included in net earnings (a)		(147)	51	(96)	
Total net unrealized gains on securities (b)	$ 35,517	23,575	(8,251)	15,324	$ 50,841

(a) The reclassification adjustment out of net unrealized gains on securities affected the following lines in UTAIC’s Consolidated Statement of Earnings:

OCI component	Affected line in the Consolidated Statement of Earnings
Pretax	Realized gains on securities
Tax	Provision for income taxes

(b) Includes net unrealized gains of $727,000 at September 30, 2015 compared to $585,000 at December 31, 2014 related to securities for which only the credit portion of an other-than-temporary impairment has been recorded in earnings.

F. Income Taxes

The following is a reconciliation of income taxes at the statutory rate of 35% to the provision for income taxes as shown in the Statement of Earnings for the nine months ended September 30 (dollars in thousands):

	2015		2014	
	Amount	% of EBT	Amount	% of EBT
Earnings (loss) before income taxes ("EBT")	$ 7,517		$ (1,956)	
Income taxes (benefit) at statutory rate	$ 2,631	35%	$ (685)	35%
Effect of:				
Tax-exempt interest	(428)	(6%)	(389)	20%
Dividends received deduction	(69)	(1%)	(39)	2%
State income taxes	43	1%	32	(2%)
Other	(41)	(1%)	186	(10%)
Provision (benefit) for income taxes as shown on the Statement of Earnings	$ 2,136	28%	(895)	45%

G. Contingencies

UTAIC is involved in litigation from time to time, generally arising in the ordinary course of business. This litigation may include, but is not limited to, general commercial disputes, lawsuits brought by policyholders, employment matters, reinsurance collection matters and actions challenging certain business practices of insurance subsidiaries. None of these matters are expected to have a material adverse impact on UTAIC's results of operations or financial condition.

H. Subsequent Event

The Company has evaluated subsequent events through November 19, 2015, the date its financial statements were available to be issued.

On April 14, 2015 GAFRI and UTAIC entered into a definitive agreement with HC2 Holding Inc. to sell all of the stock of UTAIC and Continental General Insurance Company, an affiliate. The agreement is subject to receipt of regulatory approvals and is expected to close in the fourth quarter of 2015.

Exhibit 99.4

CONTINENTAL GENERAL INSURANCE COMPANY

Financial Statements (Unaudited)

Nine months ended September 30, 2015 and 2014

GreatAmericanInsuranceGroup.com

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Review Report of Independent Auditors

The Board of Directors
Continental General Insurance Company

We have reviewed the financial information of Continental General Insurance Company, which comprise the balance sheet as of September 30, 2015, and the related statements of operations, comprehensive income (loss), changes in equity and cash flows for the nine-month periods ended September 30, 2015 and 2014.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 19, 2015

CONTINENTAL GENERAL INSURANCE COMPANY
BALANCE SHEET (UNAUDITED)
(Dollars in Thousands, Except Per Share Data)

	September 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	$ 4,543	$ 12,305
Investments:		
Fixed maturities, available for sale at fair value (amortized cost - $209,437 and $204,107)	229,473	229,116
Equity securities, available for sale at fair value (cost - $11,300 and $10,378)	10,583	10,185
Mortgage loans	1,445	2,706
Policy loans	2,802	2,810
Other investments	223	334
Total cash and investments	249,069	257,456
Recoverables from reinsurers	416,519	420,140
Deferred policy acquisition costs	15,776	17,264
Accrued investment income	2,719	2,514
Net deferred tax asset	22,281	22,250
Other assets	4,097	4,112
Total assets	$ 710,461	$ 723,736
Liabilities and Equity:		
Annuity benefits accumulated	$ 74,069	$ 78,161
Life, accident and health reserves	556,243	564,809
Other liabilities	11,981	12,840
Total liabilities	642,293	655,810
Shareholder's Equity:		
Common stock, par value - $1 per share:		
- 6,500,000 shares authorized		
- 4,196,559 shares issued and outstanding	4,197	4,197
Capital surplus	97,547	96,674
Accumulated deficit	(38,114)	(37,575)
Accumulated other comprehensive income, net of tax	4,538	4,630
Total shareholder's equity	68,168	67,926
Total liabilities and shareholder's equity	$ 710,461	$ 723,736

See notes to financial statements.

CONTINENTAL GENERAL INSURANCE COMPANY
STATEMENT OF OPERATIONS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Revenues:		
Life, accident and health net earned premiums	$ 8,724	$ 9,552
Net investment income	10,523	11,603
Realized losses on securities (*)	(1,223)	(389)
Other income	3,654	3,510
Total revenues	21,678	24,276
Cost and expenses:		
Annuity benefits	1,769	1,996
Life, accident and health benefits	13,517	18,317
Insurance acquisition expenses, net	2,311	2,747
Other operating and general expenses	4,915	2,360
Total costs and expenses	22,512	25,420
Loss before income taxes	(834)	(1,144)
Benefit for income taxes	(295)	(408)
Net loss	$ (539)	$ (736)
(*) Consists of the following:		
Realized gains (losses) before impairments	$ (171)	$ 220
Losses on securities with impairment	(1,052)	(609)
Non-credit portion recognized in other comprehensive income (loss)	-	-
Impairment charges recognized in earnings	(1,052)	(609)
Total realized losses on securities	$ (1,223)	$ (389)

See notes to financial statements.

CONTINENTAL GENERAL INSURANCE COMPANY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Comprehensive loss:		
Net loss	$ (539)	$ (736)
Other comprehensive loss, net of tax:		
Net unrealized losses on securities:		
Unrealized holding losses on securities arising during the period	(815)	(1,978)
Reclassification adjustment for realized losses included in net loss	723	253
Total net unrealized losses on securities	(92)	(1,725)
Total comprehensive loss, net of tax	$ (631)	$ (2,461)

See notes to financial statements.

CONTINENTAL GENERAL INSURANCE COMPANY
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Dollars in Thousands)

		Shareholder's Equity			
	Common Shares	Common Stock and Capital Surplus	Accumulated Deficit	Accumulated Other Comp Inc. (Loss)	Total
Balance at December 31, 2014	4,196,559	$ 100,871	$ (37,575)	$ 4,630	$ 67,926
Net loss	-	-	(539)	-	(539)
Other comprehensive loss	-	-	-	(92)	(92)
Other	-	873	-	-	873
Balance at September 30, 2015	4,196,559	$ 101,744	$ (38,114)	$ 4,538	$ 68,168

See notes to financial statements.

CONTINENTAL GENERAL INSURANCE COMPANY
STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30	
	2015	**2014**
Operating Activities:		
Net loss	$ (539)	$ (736)
Adjustments:		
Depreciation and amortization	(27)	96
Annuity benefits	1,769	1,996
Realized losses on investing activities	1,223	389
Deferred annuity and life policy acquisition costs	(12)	(10)
Amortization of insurance acquisition costs	1,518	1,917
Change in:		
Life, accident and health reserves	(3,225)	14,068
Recoverables from reinsurers	3,621	(5,725)
Accrued investment income	(205)	189
Net deferred tax asset	(5)	962
Other assets	50	1,239
Other liabilities	(859)	(492)
Other operating activities, net	893	41
Net cash provided by operating activities	4,202	13,934
Investing Activities:		
Purchases of:		
Fixed maturities	(20,336)	(12,507)
Equity securities	(1,582)	(2,273)
Proceeds from:		
Maturities and redemptions of fixed maturities	14,168	12,015
Repayment of mortgage loans	1,261	125
Sales of fixed maturities	267	246
Sales of equity securities	102	-
Other investments	-	461
Other investing activities, net	8	112
Net cash used in investing activities	(6,112)	(1,821)
Financing Activities:		
Annuity receipts	347	355
Annuity surrenders, benefits and withdrawals	(6,199)	(8,962)
Net cash used in financing activities	(5,852)	(8,607)
Net Change in Cash and Cash Equivalents	(7,762)	3,506
Cash and cash equivalents at beginning of peroid	12,305	5,267
Cash and cash equivalents at end of period	$ 4,543	$ 8,773

See notes to financial statements.

A. Accounting Policies

Basis of Presentation The accompanying interim financial statements are unaudited; however, management believes that all adjustments (consisting of normal recurring accruals unless otherwise indicated) necessary for a fair presentation have been made. The results of operations for interim periods are not necessarily indicative of results expected for the year. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting. These unaudited financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014. There are no changes to our significant accounting policies described in our audited financial statements.

The financial statements include the accounts of Continental General Insurance Company ("CGI" or the "Company"). CGI is an indirect wholly-owned subsidiary of Great American Financial Resources, Inc. ("GAFRI"), a financial services holding company wholly-owned by American Financial Group, Inc. ("AFG"). The financial statements also include costs paid on behalf of CGI by GAFRI. These costs are recorded as expense in the period incurred and shown as an increase in capital surplus.

Although the Company does not currently market any life, annuity or long-term care insurance, CGI's product portfolio includes a diversified mix of closed blocks of life, annuity and long-term care ("LTC") health insurance products.

The Company accepted new premium sales (Medicare supplement, critical illness and other non-health products), for certain states, through a reinsurance fronting agreement through August 2014, whereby the Company reinsures 100% of these premiums through a coinsurance agreement with Loyal American Life Insurance Company, a Cigna subsidiary.

Fair Value Measurements Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The standards establish a hierarchy of valuation techniques based on whether the assumptions that market participants would use in pricing the asset or liability ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect CGI's assumptions about the assumptions market participants would use in pricing the asset or liability.

Investments Fixed maturity and equity securities classified as "available for sale" are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income ("AOCI") in CGI's Balance Sheet. Mortgage and policy loans are carried primarily at the aggregate unpaid balance.

Premiums and discounts on fixed maturity securities are amortized using the interest method. Mortgage-backed securities ("MBS") are amortized over a period based on estimated future principal payments, including prepayments. Prepayment assumptions are reviewed periodically and adjusted to reflect actual prepayments and changes in expectations.

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

Derivatives Derivatives included in CGI's Balance Sheet are recorded at fair value and consist of components of certain fixed maturity securities (primarily interest-only MBS). Changes in fair value of derivatives are included in earnings.

Deferred Policy Acquisition Costs ("DPAC") Policy acquisition costs (principally commissions and certain underwriting and policy issuance costs) directly related to the successful acquisition or renewal of an insurance contract are deferred.

DPAC related to annuities, universal life and interest-sensitive life policies is deferred to the extent deemed recoverable and amortized, with interest, in relation to the present value of actual and expected gross profits on the policies. Expected gross profits consist principally of estimated future investment margin (estimated future net investment income less interest credited on policyholder funds) and surrender, mortality, and other life and annuity policy charges, less death, annuitization and estimated future policy administration expenses. To the extent that realized gains and losses result in adjustments to the amortization of DPAC related to annuities, universal life and interest-sensitive life policies, such adjustments are reflected as components of realized gains (losses) on securities.

DPAC related to traditional life and health insurance is amortized over the expected premium paying period of the related policies, in proportion to the ratio of annual premium revenues to total anticipated premium revenues. See *"Life, Accident and Health Reserves"* below for details on the impact of loss recognition on the accounting for traditional life and health insurance contracts.

DPAC includes the present value of future profits on business in force of annuity, life, accident and health insurance companies acquired ("PVFP"). PVFP represents the portion of the costs to acquire companies that is allocated to the value of the right to receive future cash flows from insurance contracts existing at the date of acquisition. PVFP is amortized with interest in relation to expected gross profits of the acquired policies for annuities and universal life products and in relation to the premium paying period for traditional life and health insurance products.

DPAC and certain other balance sheet amounts related to annuity and life businesses are also adjusted, net of tax, for the change in expense that would have been recorded if the unrealized gains (losses) from securities had actually been realized. These adjustments are included in unrealized gains (losses) on marketable securities, a component of AOCI in CGI's Balance Sheet.

Reinsurance Premium revenue and benefits are reported net of the amounts related to reinsurance ceded to and assumed from other companies. Expense allowances from reinsurers are included in other operating and general expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. Amounts received from reinsurers that represent recovery of acquisition costs are netted against DPAC, so that the net amount is capitalized. The cost of reinsurance is accounted for over the term of the related treaties using assumptions consistent with those used to account for the underlying reinsured policies.

Annuity Benefits Accumulated Annuity receipts and benefit payments are recorded as increases or decreases in annuity benefits accumulated rather than as revenue and expense. Increases in this liability (primarily interest credited) are charged to expense and decreases for charges are credited to annuity policy charges revenue. Reserves for traditional fixed annuities are generally recorded at the stated account value.

Life, Accident and Health Reserves Liabilities for future policy benefits under traditional life, accident and health policies are computed using the net level premium method. Computations are based on the original projections of investment yields, mortality, morbidity and surrenders and include provisions for unfavorable deviations unless a loss recognition event (premium deficiency) occurs. Claim reserves and liabilities established for accident and health claims are modified as necessary to reflect actual experience and developing trends. Reserves for interest-sensitive whole life and universal life policies are generally recorded at contract value.

For long-duration contracts (such as traditional life and long-term care insurance policies), loss recognition occurs when, based on current expectations as of the measurement date, existing contract liabilities plus the present value of future premiums (including reasonably expected rate increases) are not expected to cover the present value of future claims payments and related settlement and maintenance costs (excluding overhead) as well as unamortized acquisition costs. If a block of business is determined to be in loss recognition, a charge is recorded in earnings in an amount equal to the excess of the present value of expected future claims costs and unamortized acquisition costs over existing reserves plus the present value of expected future premiums (with no provision for adverse deviation). The charge is recorded first to reduce unamortized acquisition costs and then as an additional reserve (if unamortized acquisition costs have been reduced to zero).

In addition, reserves for traditional life and long-term care insurance policies are subject to adjustment for loss recognition charges that would have been recorded if the unrealized gains from securities had actually been realized. This adjustment is included in unrealized gains (losses) on marketable securities, a component of AOCI in CGI's Balance Sheet.

Premium Recognition For traditional life, accident and health products, premiums are recognized as revenue when legally collectible from policyholders. For interest-sensitive life and universal life products, premiums are recorded in a policyholder account, which is reflected as a liability. Revenue is recognized as amounts are assessed against the policyholder account for mortality coverage and contract expenses.

Income Taxes The Company has an intercompany tax allocation agreement with AFG. Pursuant to the agreement, the Company's tax expense is determined based upon its inclusion in the consolidated tax return of AFG and its includable subsidiaries. Estimated payments are made quarterly during the year. Following year-end, additional settlements are made on the original due date of the return and, when extended, at the time the return is filed. The method of allocation among the companies under the agreement is based upon separate return calculations with current credit for losses to the extent the losses provide a benefit in the consolidated return.

Deferred income taxes are calculated using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases and are measured using enacted tax rates. A valuation allowance is established to reduce total deferred tax assets to an amount that will more likely than not be realized.

CGI recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained under examination by the appropriate taxing authority. Interest and penalties on CGI's reserve for uncertain tax positions are recognized as a component of tax expense.

Benefit Plans CGI provides retirement benefits to qualified employees of participating companies through the AFG 401(k) Retirement and Savings Plan, a defined contribution plan. AFG and its subsidiaries make all contributions to the retirement fund portion of the plan and match a percentage of employee contributions to the savings fund. Company contributions are expensed in the year for which they are declared.

Statement of Cash Flows For cash flow purposes, “investing activities” are defined as making and collecting loans and acquiring and disposing of debt or equity instruments and property and equipment. “Financing activities” include obtaining resources from owners and providing them with a return on their investments, borrowing money and repaying amounts borrowed. Annuity receipts, surrenders, benefits and withdrawals are also reflected as financing activities. All other activities are considered “operating.” Short-term investments having original maturities of three months or less when purchased are considered to be cash equivalents for purposes of the financial statements.

B. Fair Value Measurements

Accounting standards for measuring fair value are based on inputs used in estimating fair value. The three levels of the hierarchy are as follows:

Level 1 — Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). CGI’s Level 1 financial instruments consist primarily of publicly traded equity securities and highly liquid government bonds for which quoted market prices in active markets are available.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. CGI’s Level 2 financial instruments include corporate and municipal fixed maturity securities, mortgage-backed securities (“MBS”) and non-affiliated common stocks priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 — Valuations derived from market valuation techniques generally consistent with those used to estimate the fair values of Level 2 financial instruments in which one or more significant inputs are unobservable or when the market for a security exhibits significantly less liquidity relative to markets supporting Level 2 fair value measurements. The unobservable inputs may include management’s own assumptions about the assumptions market participants would use based on the best information available in the circumstances. CGI’s Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information.

CGI’s management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. The Company's internal investment professionals are a group of approximately 20 analysts whose primary responsibility is to manage AFG’s investment portfolio. These professionals monitor individual investments as well as overall industries and are active in the financial markets on a daily basis. The group is led by AFG’s chief investment officer, who reports directly to one of AFG’s Co-CEOs. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AFG’s internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, the Company communicates directly with the pricing service regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities.

Assets measured and carried at fair value in the financial statements are summarized below (in thousands):

September 30, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Available for sale ("AFS") fixed maturities:				
U.S. Government and government agencies	$ 1,705	$ 5,120	$ -	$ 6,825
States, municipalities and political subdivisions	-	54,436	-	54,436
Foreign government	-	1,753	-	1,753
Residential MBS	-	32,507	6,985	39,492
Commercial MBS	-	19,326	442	19,768
Asset-backed securities ("ABS")	-	5,748	-	5,748
Corporate and other	-	100,294	1,157	101,451
Total AFS fixed maturities	1,705	219,184	8,584	229,473
Equity securities	7,758	2,825	-	10,583
Total assets accounted for at fair value	$ 9,463	$ 222,009	$ 8,584	$ 240,056

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Available for sale fixed maturities:				
U.S. Government and government agencies	$ 1,784	$ 6,475	$ -	$ 8,259
States, municipalities and political subdivisions	-	50,237	-	50,237
Foreign government	-	1,761	-	1,761
Residential MBS	-	39,523	5,432	44,955
Commercial MBS	-	20,303	464	20,767
Asset-backed securities	-	6,137	-	6,137
Corporate and other	-	95,770	1,230	97,000
Total AFS fixed maturities	1,784	220,206	7,126	229,116
Equity securities	8,132	1,027	1,026	10,185
Total assets accounted for at fair value	$ 9,916	$ 221,233	$ 8,152	$ 239,301

At September 30, 2015 and December 31, 2014 no liabilities were carried at fair value.

Transfers between Level 1 and Level 2 for all periods presented were a result of increases or decreases in trade frequency. During the nine months ended September 30, 2015 there was one common stock with a fair value of $46,000 transferred from Level 2 to Level 1 and one perpetual preferred stock with a fair value of $1 million transferred from Level 1 to Level 2. There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2014. Approximately 4% of the total assets carried at fair value on September 30, 2015, were Level 3 assets. Approximately 53% ($5 million) of the Level 3 assets were priced using non-binding broker quotes, for which there is a lack of transparency as to the inputs used to determine fair value. Details as to the quantitative inputs are neither provided by the brokers nor otherwise reasonably obtainable by CGI. Since internally developed Level 3 asset fair values represent less than 1% of the total assets measured at fair value and approximately 3% of CGI’s shareholder’s equity, changes in unobservable inputs used to determine internally developed fair values would not have a material impact on CGI’s financial position.

Changes in balances of Level 3 financial assets carried at fair value during the nine months ended September 30, 2015 and 2014 are presented below (in thousands). The transfers into and out of Level 3 were due to changes in the availability of market observable inputs. All transfers are reflected in the table at fair value as of the end of the reporting period.

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2014	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2015
AFS fixed maturities:								
Residential MBS	$ 5,432	$ (187)	$ (112)	$ -	$ (292)	$ 3,070	$ (926)	$ 6,985
Commercial MBS	464	(22)	-	-	-	-	-	442
Corporate and other	1,230	11	3	-	(87)	-	-	1,157
Equity securities	1,026	(35)	(24)	-	-	-	(967)	-

		Total realized/unrealized gains (losses) included in						
	Balance at December 31, 2013	Net earnings (loss)	Other comp. income (loss)	Purchases and issuances	Sales and settlements	Transfer into Level 3	Transfer out of Level 3	Balance at September 30, 2014
AFS fixed maturities:								
Residential MBS	$ 7,278	$ (80)	$ (37)	$ -	$ (425)	$ 1,790	$ (3,969)	$ 4,557
Commercial MBS	475	(6)	-	-	-	-	-	469
Asset-backed securities	1,002	-	5	-	(12)	-	(995)	-
Corporate and other	1,639	(302)	(36)	-	(76)	-	-	1,225
Equity securities	35	-	12	750	-	-	-	797

Fair Value of Financial Instruments The carrying value and fair value of financial instruments that are not carried at fair value in the financial statements at September 30, 2015 and December 31, 2014 are summarized below (in thousands):

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
September 30, 2015					
Financial assets:					
Cash and cash equivalents	$ 4,543	$ 4,543	$ 4,543	$ -	$ -
Mortgage loans	1,445	1,445	-	-	1,445
Policy loans	2,802	2,802	-	-	2,802
Total financial assets not accounted for at fair value	$ 8,790	$ 8,790	$ 4,543	$ -	$ 4,247
Financial liabilities:					
Annuity benefits accumulated(*)	$ 72,700	$ 73,367	$ -	$ -	$ 73,367
Total financial liabilities not accounted for at fair value	$ 72,700	$ 73,367	$ -	$ -	$ 73,367

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2014					
Financial assets:					
Cash and cash equivalents	$ 12,305	$ 12,305	$ 12,305	$ -	$ -
Mortgage loans	2,706	2,706	-	-	2,706
Policy loans	2,810	2,810	-	-	2,810
Total financial assets not accounted for at fair value	$ 17,821	$ 17,821	$ 12,305	$ -	$ 5,516
Financial liabilities:					
Annuity benefits accumulated(*)	$ 76,702	$ 78,442	$ -	$ -	$ 78,442
Total financial liabilities not accounted for at fair value	$ 76,702	$ 78,442	$ -	$ -	$ 78,442

(*) Excludes $1,369 and $1,459 of life contingent annuities in the payout phase at September 30, 2015 and December 31, 2014, respectively.

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. Fair values for mortgage loans are estimated by discounting the future contractual cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. The fair value of policy loans is estimated to approximate carrying value; policy loans have no defined maturity dates and are inseparable from insurance contracts. The fair value of annuity benefits was estimated based on expected cash flows discounted using forward interest rates adjusted for the Company's credit risk and includes the impact of maintenance expenses and capital costs.

C. Investments

Available for sale fixed maturities and equity securities at September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	September 30, 2015				December 31, 2014			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Fixed Maturities:								
U.S. Government and government agencies	$ 6,571	$ 6,825	$ 254	$ -	$ 7,902	$ 8,259	$ 357	$ -
States, municipalities and political subdivisions	50,938	54,436	4,079	(581)	46,093	50,237	4,256	(112)
Foreign government	1,493	1,753	260	-	1,493	1,761	268	-
Residential MBS	35,914	39,492	3,620	(42)	40,718	44,955	4,324	(87)
Commercial MBS	18,572	19,768	1,196	-	19,102	20,767	1,665	-
Asset-backed securities	5,490	5,748	260	(2)	5,841	6,137	320	(24)
Corporate and other	90,459	101,451	11,420	(428)	82,958	97,000	14,215	(173)
Total fixed maturities	$ 209,437	$ 229,473	$ 21,089	$ (1,053)	$ 204,107	$ 229,116	$ 25,405	$ (396)
Common stocks	$ 6,300	$ 5,670	$ 138	$ (768)	$ 5,878	$ 5,700	$ 116	$ (294)
Perpetual preferred stocks	$ 5,000	$ 4,913	$ 14	$ (101)	$ 4,500	$ 4,485	$ 37	$ (52)

The non-credit related portion of other-than-temporary impairment charges is included in other comprehensive income. Cumulative non-credit charges taken for securities still owned at September 30, 2015 and December 31, 2014 were $375,000. Gross unrealized gains on such securities at September 30, 2015 and December 31, 2014 were $210,000 and $218,000, respectively. Gross unrealized losses on such securities at September 30, 2015 and December 31, 2014 were $33,000 and $34,000, respectively. These amounts represent the non-credit other-than-temporary impairment charges recorded in AOCI adjusted for subsequent changes in fair values and relate to residential MBS.

The following tables show gross unrealized losses (dollars in thousands) on fixed maturities and equity securities by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2015 and December 31, 2014.

	Less Than Twelve Months			Twelve Months or More		
September 30, 2015	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
Fixed Maturities:						
U.S. Government and government agencies	$ -	$ -	-%	$ -	$ -	-%
States, municipalities and political subdivisions	(382)	7,768	95%	(199)	741	79%
Residential MBS	(3)	1,991	100%	(39)	2,714	99%
Commercial MBS	-	-	-%	-	-	-%
Asset-backed securities	(2)	488	100%	-	-	-%
Corporate and other	(428)	7,436	95%	-	-	-%
Total fixed maturities	$ (815)	$ 17,683	96%	$ (238)	$ 3,455	94%
Common stocks	$ (768)	$ 4,623	86%	$ -	$ -	-%
Perpetual preferred stocks	$ (71)	$ 1,429	95%	$ (30)	$ 470	-%

	Less Than Twelve Months			Twelve Months or More		
December 31, 2014	Unrealized Loss	Fair Value	Fair Value as % of Cost	Unrealized Loss	Fair Value	Fair Value as % of Cost
Fixed Maturities:						
U.S. Government and government agencies	$ -	$ -	-%	$ -	$ -	-%
States, municipalities and political subdivisions	-	-	-%	(112)	3,414	97%
Residential MBS	(71)	5,186	99%	(16)	2,010	99%
Commercial MBS	-	-	-%	-	-	-%
Asset-backed securities	(24)	465	95%	-	-	-%
Corporate and other	(173)	1,332	89%	-	-	-%
Total fixed maturities	$ (268)	$ 6,983	96%	$ (128)	$ 5,424	98%
Common stocks	$ (129)	$ 2,079	94%	$ (165)	$ 1,352	89%
Perpetual preferred stocks	$ (52)	$ 1,449	97%	$ -	$ -	-%

At September 30, 2015, the gross unrealized losses on fixed maturities of $1.1 million relate to 35 securities. Investment grade securities (as determined by nationally recognized rating agencies) represented approximately 94% of the gross unrealized loss and 77% of the fair value.

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:

a) whether the unrealized loss is credit-driven or a result of changes in market interest rates,
b) the extent to which fair value is less than cost basis,
c) cash flow projections received from independent sources,
d) historical operating, balance sheet and cash flow data contained in issuer SEC filings and news releases,
e) near-term prospects for improvement in the issuer and/or its industry,
f) third party research and communications with industry specialists,
g) financial models and forecasts,
h) the continuity of dividend payments, maintenance of investment grade ratings and hybrid nature of certain investments,
i) discussions with issuer management, and
j) ability and intent to hold the investment for a period of time sufficient to allow for anticipated recovery in fair value.

CGI analyzes its MBS securities for other-than-temporary impairment 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. For the nine months ended September 30, 2015 and 2014, CGI recorded $24,000 and $0, respectively, in other-than-temporary impairment charges related to its residential MBS.

CGI recorded $695,000 in other-than-temporary impairment charges on common stocks for the nine months ended September 30, 2015. At September 30, 2015, the gross unrealized losses on common stocks of $768,000 relate to 13 securities, none of which has been in an unrealized loss position for more than 12 months.

Management believes CGI will recover its cost basis in the securities with unrealized losses and that CGI has the ability to hold the securities until they recover in value and had no intent to sell them at September 30, 2015.

A progression of the credit portion of other-than-temporary impairments on fixed maturity securities for which the non-credit portion of an impairment has been recognized in other comprehensive income is shown below (in thousands):

	2015	2014
Balance at January 1	$ 119	$ 225
Additional credit impairments on:		
Securities without prior impairments	24	-
Balance at September 30	$ 143	$ 225

The table below sets forth the scheduled maturities of available for sale fixed maturities as of September 30, 2015 (dollars in thousands). Securities with sinking funds are reported at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Amortized	Fair Value	
Maturity	Cost	Amount	%
One year or less	$ 4,882	$ 4,963	2%
After one year through five years	24,963	27,568	12%
After five years through ten years	42,697	45,846	20%
After ten years	76,919	86,088	37%
Subtotal	149,461	164,465	71%
MBS (average life of approximately 5 years)	54,486	59,260	26%
ABS (average life of approximately 4 years)	5,490	5,748	3%
Total	$ 209,437	$ 229,473	100%

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.

There were no investments in individual issuers that exceeded 10% of Shareholder’s Equity at September 30, 2015 or December 31, 2014.

Net Unrealized Gain on Marketable Securities In addition to adjusting equity securities and fixed maturity securities classified as "available for sale" to fair value, GAAP requires that deferred policy acquisition costs and certain other balance sheet amounts related to annuity, life and health businesses be adjusted to the extent that unrealized gains and losses from securities would result in adjustments to those balances had the unrealized gains or losses actually been realized. The following table shows (in thousands) the components of the net unrealized gain on securities that is included in AOCI in CGI's Balance Sheet.

	September 30, 2015		
	Pretax	Deferred Tax	Net
Unrealized gain (loss) on:			
Fixed maturity securities	$ 20,036	$ (7,013)	$ 13,023
Equity securities	(717)	251	(466)
Deferred policy acquisition costs	(207)	72	(135)
Life, accident and health reserves	(12,130)	4,246	(7,884)
	$ 6,982	$ (2,444)	$ 4,538

	December 31, 2014		
	Pretax	Deferred Tax	Net
Unrealized gain (loss) on:			
Fixed maturity securities	$ 25,009	$ (8,753)	$ 16,256
Equity securities	(193)	68	(125)
Deferred policy acquisition costs	(221)	77	(144)
Life, accident and health reserves	(17,472)	6,115	(11,357)
	$ 7,123	$ (2,493)	$ 4,630

Net Investment Income The following table shows (in thousands) investment income earned and investment expenses incurred for the nine months ended September 30.

	2015	2014
Investment income		
Fixed maturities	$ 9,704	$ 10,583
Equity securities	622	782
Policy loans	137	143
Other	136	125
Gross investment income	10,599	11,633
Investment expenses	(76)	(30)
Net investment income	$ 10,523	$ 11,603

CGI's investment portfolio is managed by a subsidiary of AFG. Investment expenses included investment management fees charged by this subsidiary of $42,000 and $2,000 for the nine months ended September 30, 2015 and 2014, respectively.

Realized gains (losses) and changes in unrealized appreciation (depreciation) related to fixed maturity and equity security investments are summarized as follows (in thousands):

	Fixed Maturities	Equity Securities	Mortgage Loans and Other Investments	Other (a)	Tax Effects	Total
Nine Months ended September 30, 2015						
Realized before impairments	$ (205)	$ 29	$ -	$ 5	$ 60	$ (111)
Realized - impairments	(246)	(695)	(111)	-	368	(684)
Change in unrealized	(4,973)	(524)	-	5,356	49	(92)
Nine Months ended September 30, 2014						
Realized before impairments	$ 215	$ -	$ -	$ 5	$ (77)	$ 143
Realized - impairments	(356)	(253)	-	-	213	(396)
Change in unrealized	6,006	(570)	-	(8,090)	929	(1,725)

(a) Primarily adjustments to deferred policy acquisition costs and reserves related to long-term care business.

Gross realized gains and losses (excluding impairment writedowns and mark-to-market of derivatives) on available for sale fixed maturity and equity security investment transactions included in the Statement of Cash Flows consisted of the following for the nine months ended September 30 (in thousands):

	2015	2014
Fixed maturities:		
Gross gains	$ 594	$ 1
Gross losses	-	(27)
Equity securities:		
Gross gains	29	-
Gross losses	-	-

D. Derivatives

CGI has investments in MBS that contain embedded derivatives (primarily interest-only MBS) that do not qualify for hedge accounting. CGI records the entire change in the fair value of these securities in earnings. These investments are part of CGI's overall investment strategy, representing a small component of CGI's overall investment portfolio and had a fair value of $4.5 million at September 30, 2015 and $5.9 million at December 31, 2014. The gain or loss resulting for changes in fair value of these securities is included in realized gains on securities in the Statement of Operations and was a loss of $800,000 for the nine months ended September 30, 2015 and a gain of $241,000 for the nine months ended September 30, 2014.

E. Shareholder's Equity

Accumulated Other Comprehensive Income, Net of Tax ("AOCI") Comprehensive income is defined as all changes in Shareholder's Equity except those arising from transactions with shareholders. Comprehensive income includes net earnings and other comprehensive income, which consists primarily of changes in net unrealized gains or losses on available for sale securities.

The progression of the components of accumulated other comprehensive income follows (in thousands):

	AOCI Beginning Balance	Other Comprehensive Income Pretax	Other Comprehensive Income Tax	Other Comprehensive Income Net of Tax	AOCI Ending Balance
Nine Months Ended September 30, 2015					
Net unrealized gains on securities:					
Unrealized holding gains (losses) on securities arising during the period		$ (1,253)	$ 438	$ (815)	
Reclassification adjustment for realized (gains) losses included in net earnings (a)		1,112	(389)	723	
Total net unrealized gains on securities (b)	$ 4,630	(141)	49	(92)	$ 4,538
Nine Months Ended September 30, 2014					
Net unrealized gains on securities:					
Unrealized holding gains (losses) on securities arising during the period		$ (3,043)	$ 1,065	$ (1,978)	
Reclassification adjustment for realized (gains) losses included in net earnings (a)		389	(136)	253	
Total net unrealized gains on securities (b)	$ 9,903	(2,654)	929	(1,725)	$ 8,178

(a) The reclassification adjustment out of net unrealized gains on securities affected the following lines in CGI's Consolidated Statement of Operations:

OCI component	Affected line in the Consolidated Statement of Operations
Pretax	Realized gains on securities
Tax	Provision for income taxes

(b) Includes net unrealized gains of $44,000 at September 30, 2015 compared to $35,000 at December 31, 2014 related to securities for which only the credit portion of an other-than-temporary impairment has been recorded in earnings.

F. Income Taxes

The following is a reconciliation of income taxes at the statutory rate of 35% to the provision (benefit) for income taxes as shown in the Statement of Operations for the nine months ended September 30 (dollars in thousands):

	2015		2014	
	Amount	% of LBT	Amount	% of LBT
Loss before income taxes ("LBT")	$ (834)		$ (1,144)	
Income benefit at statutory rate	$ (292)	35%	$ (400)	35%
Effect of:				
Tax-exempt interest	(15)	2%	(14)	1%
Other	12	(1%)	6	(1%)
Benefit for income taxes as shown on the Statement of Operations	$ (295)	36%	$ (408)	35%

G. Contingencies

CGI is involved in litigation from time to time, generally arising in the ordinary course of business. This litigation may include, but is not limited to, general commercial disputes, lawsuits brought by policyholders, employment matters, reinsurance collection matters and actions challenging certain business practices of insurance subsidiaries. None of these matters are expected to have a material adverse impact on CGI's results of operations or financial condition.

H. Subsequent Event

The Company has evaluated subsequent events through November 19, 2015, the date its financial statements were available to be issued.

On April 14, 2015 GAFRI and CGI entered into a definitive agreement with HC2 Holding Inc. to sell all of the stock of CGI and United Teacher Associates Insurance Company, an affiliate. The agreement is subject to receipt of regulatory approvals and is expected to close in the fourth quarter of 2015.

Exhibit 99.5

Unaudited Pro Forma Condensed Combined Financial Statements

The following unaudited pro forma condensed combined balance sheet as of September 30, 2015, and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and nine months ended September 30, 2015, of HC2 Holdings, Inc ("HC2", "we", "us", "the Company", or "our"), gives effect to (i) the full effect of the acquisition of Schuff International, Inc. ("Schuff"), (ii) the full-period effect of the acquisition of Bridgehouse Marine and its subsidiary, Global Marine Systems Limited ("GMSL"), (iii) the acquisition of United Teacher Associates Insurance Company ("UTAIC") and Continental General Insurance Company ("CGIC" and, together with UTAIC, the "Targets"), in each case, by HC2 and (iv) issuance of HC2's common shares.

The unaudited pro forma condensed combined balance sheet as of September 30, 2015 gives effect to the Targets acquisition as if they had occurred on September 30, 2015. The unaudited pro forma condensed combined balance sheet is derived from the unaudited historical financial statements of HC2 and the Targets as of September 30, 2015.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2015 give effect to the Schuff, Bridgehouse Marine, and the Targets acquisitions as if they had occurred on January 1, 2014. The unaudited pro forma condensed combined statement of operations is derived from the audited historical financial statements of HC2 and the Targets as of and for the year ended December 31, 2014, the unaudited historical financial statements of Bridgehouse Marine for the nine months ended September 30, 2014 and Schuff for the five months ended May 26, 2014, and the unaudited historical financial statements of HC2 and the Targets as of and for the nine months ended September 30, 2015.

The unaudited pro forma condensed combined financial statements and the notes to the unaudited pro forma condensed combined financial statements were based on, and should be read in conjunction with:

- Our historical audited and unaudited consolidated financial statements and related notes and the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on March 16, 2015, and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, filed on November 9, 2015.
- UTAIC's and CGIC's historical audited financial statements and related notes for the fiscal years ended December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the three fiscal years ended December 31, 2014, which were previously filed as Exhibit 99.1 and Exhibit 99.3, respectively, to the Company's Current Report on Form 8-K, filed on September 8, 2015.
- Schuff's historical audited financial statements and related notes as of and for the year ended December 29, 2013, and the unaudited historical financial statements of Schuff and related notes as of and for the three-month period ended March 31, 2014, which were previously filed as Exhibit 99.1 and Exhibit 99.2, respectively, to the Company's Current Report on Form 8-K/A, filed on August 14, 2014.
- Bridgehouse Marine's historical audited financial statements and related notes as of December 31, 2013 and for the year then ended, which were previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K/A, filed on December 8, 2014.

The unaudited pro forma condensed combined financial statements have been prepared by HC2's management using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America and are not necessarily indicative of the combined financial position or results of operations that would have been realized had the transactions been completed as of the dates indicated, nor are they meant to be indicative of any anticipated combined financial position or future results of operations that the Company will experience after the transactions.

The historical consolidated financial statements have been adjusted to reflect factually supportable items that are directly attributable to the acquisition and, with respect to the unaudited pro forma condensed combined statements of operations and are not expected to have a continuing impact on the results of operations of the combined company.

In connection with the post-acquisition integration of the operations of HC2 and the Targets, HC2 anticipates that nonrecurring integration charges will be incurred. HC2 is not able to determine the timing, nature, and amount of these charges as of November 9, 2015. However, these charges will impact the results of operations of the combined company following the completion of the acquisition, in the period in which they are incurred.

HC2 HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of September 30, 2015
(in thousands)

	HC2	UTAIC	CGIC	Combined UTAIC and CGIC	Pro Forma Adjustments	Ref.	Financing Adjustments	Ref.	Total
Assets									
Investments									
Fixed maturities, available for sale at fair value	$ —	$1,021,439	$ 229,473	$1,250,912	$ —		$ —		$1,250,912
Equity securities, available for sale at fair value	2,593	61,784	10,583	72,367	—		—		74,960
Mortgage loans	—	—	1,445	1,445	—		—		1,445
Policy loans	—	15,674	2,802	18,476	—		—		18,476
Other investments	78,186	4,146	223	4,369	—		—		82,555
Total investments	80,779	1,103,043	244,526	1,347,569	—		—		1,428,348
Cash and cash equivalents	81,066	20,369	4,543	24,912	(7,136)	(6a)	54,709	(6n)	153,551
Restricted cash	7,196	—	—	—	—		—		7,196
Accounts receivable, net	187,474	—	—	—	—		—		187,474
Cost and recognized earnings in excess of billings on uncompleted contracts	37,266	—	—	—	—		—		37,266
Inventories	14,408	—	—	—	—		—		14,408
Recoverable from reinsurers	—	178,963	416,519	595,482	—		—		595,482
Accrued investment income	—	12,691	2,719	15,410	—		—		15,410
Deferred tax asset	25,272	—	22,281	22,281	(8,717)	(6b)	—		38,836
Property, plant and equipment, net	221,842	—	—	—	—		—		221,842
Goodwill	30,665	2,146	—	2,146	21,409	(6c)	—		54,220
Intangibles including DAC, net	26,674	47,308	18,471	65,779	(63,084)	(6d)	—		29,369
Other assets	46,036	3,311	1,402	4,713	(345)	(6e)	—		50,404
Assets held for sale	6,349	—	—	—	—		—		6,349
Total assets	$ 765,027	$1,367,831	$ 710,461	$2,078,292	$ (57,873)		$ 54,709		$2,840,155
Liabilities, Temporary Equity and Stockholders' Equity									
Life, accident and health reserves	$ —	$ 955,407	$ 556,243	$1,511,650	$ 198,469	(6f)	$ —		$1,710,119
Annuity benefits accumulated	—	189,230	74,069	263,299	—		—		263,299
Accounts payable and other current liabilities	185,764	—	—	—	—		1,900	(6o)	187,664
Billings in excess of costs and recognized earnings on uncompleted contracts	20,045	—	—	—	—		—		20,045
Deferred tax liability	—	1,509	—	1,509	(1,509)	(6g)	—		—
Long-term obligations	387,858	—	—	—	2,000	(6h)	—		389,858
Pension liability	27,664	—	—	—	—		—		27,664
Other liabilities	8,151	14,588	11,981	26,569	13,536	(6i)	—		48,256
Total liabilities	629,482	1,160,734	642,293	1,803,027	212,496		1,900		2,646,905
Temporary equity									
Preferred stock	53,403	—	—	—	—		—		53,403
Stockholders' equity:									
Common stock	26	2,500	4,197	6,697	(6,696)	(6j)	8	(6p)	35
Additional paid-in capital	151,662	149,263	97,547	246,810	(241,537)	(6k)	52,801	(6q)	209,736
(Accumulated deficit) retained earnings	(62,727)	35,717	(38,114)	(2,397)	2,019	(6l)	—		(63,105)
Treasury stock, at cost	(378)	—	—	—	—		—		(378)
Accumulated other comprehensive (loss) income	(28,273)	19,617	4,538	24,155	(24,155)	(6m)	—		(28,273)
Total stockholders’ equity before noncontrolling interest	60,310	207,097	68,168	275,265	(270,369)		52,809		118,015
Noncontrolling interest	21,832	—	—	—	—		—		21,832
Total stockholders' equity	82,142	207,097	68,168	275,265	(270,369)		52,809		139,847
Total liabilities, temporary equity and stockholders' equity	$ 765,027	$1,367,831	$ 710,461	$2,078,292	$ (57,873)		$ 54,709		$2,840,155

See notes to unaudited pro forma condensed combined financial statements

HC2 HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2015
(in thousands, except per share data amounts)

	HC2	UTAIC	CGIC	Combined UTAIC and CGIC	Pro Forma Adjustments	Ref.	Total
Services revenue	$ 373,492	$ —	$ —	$ —	$ —		$ 373,492
Sales revenue	386,765	—	—	—	—		386,765
Life, accident and health net earned premiums	—	53,719	8,724	62,443	—		62,443
Net investment income	—	45,532	10,523	56,055	(4,747)	(7a)	51,308
Realized losses on investments	—	(4,516)	(1,223)	(5,739)	—		(5,739)
Net revenue	760,257	94,735	18,024	112,759	(4,747)		868,269
Operating expenses							
Cost of revenue-services	334,608	—	—	—	—		334,608
Cost of revenue-sales	324,820	—	—	—	—		324,820
Life, accident and health benefits	—	59,972	13,517	73,489	(6,338)	(7b)	67,151
Annuity benefits	—	5,448	1,769	7,217	—		7,217
Insurance acquisition expenses, net	—	12,322	2,311	14,633	(6,835)	(7c)	7,798
Selling, general and administrative	77,359	9,503	4,915	14,418	—		91,777
Depreciation and amortization	16,835	—	—	—	—		16,835
Gain on sale or disposal of assets	(986)	—	—	—	—		(986)
Lease termination costs	1,124	—	—	—	—		1,124
Total operating expenses	753,760	87,245	22,512	109,757	(13,173)		850,344
Income (loss) from operations	6,497	7,490	(4,488)	3,002	8,426		17,925
Interest expense	(28,992)	—	—	—	(165)	(7d)	(29,157)
Amortization of debt discount	(216)	—	—	—	—		(216)
Other (expense) income, net	(3,528)	27	3,654	3,681	—		153
Foreign currency transaction gain	2,150	—	—	—	—		2,150
(Loss) income from continuing operations before loss from equity investees and income tax benefit (expense)	(24,089)	7,517	(834)	6,683	8,261		(9,145)
Loss from equity investees	(724)	—	—	—	—		(724)
Income tax benefit (expense)	4,018	(2,136)	295	(1,841)	(2,891)	(7e)	(714)
Income (loss) from continuing operations	(20,795)	5,381	(539)	4,842	5,370		(10,583)
Less: Net income from continuing operations attributable to the noncontrolling interest	(8)	—	—	—	—		(8)
Net (loss) income from continuing operations	(20,803)	5,381	(539)	4,842	5,370		(10,591)
Less: Preferred stock and dividends accretion	3,212	—	—	—	—		3,212
Net (loss) income from continuing operations attributable to common stock and participating preferred stockholders	$ (24,015)	$ 5,381	$ (539)	$ 4,842	$ 5,370		$ (13,803)
Basic net loss per common share from continuing operations attributable to HC2 Holdings, Inc.	$ (0.96)						$ (0.40)
Diluted net loss per common share from continuing operations attributable to HC2 Holdings, Inc.	$ (0.96)						$ (0.40)
Weighted average common shares outstanding							
Basic	25,093				9,177	(9)	34,270
Diluted	25,093				9,177	(9)	34,270

See notes to unaudited pro forma condensed combined financial statements

HC2 HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2014
(in thousands, except per share data amounts)

				2014 Acquisitions Pro Forma Adjustments									Pro Forma Adjustments			
	HC2	Schuff Five Months Ended May 26, 2014	GMSL Nine Months Ended September 30, 2014	Schuff	Ref.	GMSL	Ref.	Other	Ref.	Total	UTAIC	CGIC	Combined UTAIC and CGIC	UTAIC and CGIC Acquisition	Ref.	Total
Services revenue	$193,044	$ —	$ 132,503	$ —		$ (159)	(8d)	$ —		$325,388	$ —	$ —	$ —	$ —		$325,388
Sales revenue	350,158	177,823	—	—		—		—		527,981	—	—	—	—		527,981
Life, accident and health net earned premiums	—	—	—	—		—		—		—	70,883	12,606	83,489	—		83,489
Net investment income	—	—	—	—		—		—		—	59,942	15,484	75,426	(6,176)	(7a)	69,250
Realized losses on investments	—	—	—	—		—		—		—	(5,505)	(1,471)	(6,976)	—		(6,976)
Net revenue	543,202	177,823	132,503	—		(159)		—		853,369	125,320	26,619	151,939	(6,176)		999,132
Operating expenses																
Cost of revenue-services	174,956	—	91,104	1,019	(8a)	—		—		267,079	—	—	—	—		267,079
Cost of revenue-sales	296,530	149,226	—	—		—		—		445,756	—	—	—	—		445,756
Life, accident and health benefits	—	—	—	—		—		—		—	106,742	22,915	129,657	(8,649)	(7b)	121,008
Annuity benefits	—	—	—	—		—		—		—	6,274	2,627	8,901	—		8,901
Insurance acquisition expenses, net	—	—	—	—		—		—		—	15,094	3,525	18,619	(7,475)	(7c)	11,144
Selling, general and administrative	81,396	14,385	8,527	—		—		—		104,308	11,759	3,220	14,979	—		119,287
Depreciation and amortization	4,617	3,086	10,351	174	(8b)	3,470	(8e)	—		21,698	—	—	—	—		21,698
Gain (loss) on sale or disposal of assets	(162)	208	104	—		—		—		150	—	—	—	—		150
Asset impairment expense	291	—	—	—		—		—		291	—	—	—	—		291
Total operating expenses	557,628	166,905	110,086	1,193		3,470		—		839,282	139,869	32,287	172,156	(16,124)		995,314
(Loss) income from operations	(14,426)	10,918	22,417	(1,193)		(3,629)		—		14,087	(14,549)	(5,668)	(20,217)	9,948		3,818
Interest expense	(10,754)	(1,033)	(3,677)	—		—		(24,444)	(8g)	(39,908)	—	—	—	(220)	(7d)	(40,128)
Amortization of debt discount	(1,593)	—	—	—		—		—		(1,593)	—	—	—	—		(1,593)
Other income (expense), net	436	(37)	3,164	—		—		—		3,563	19	4,800	4,819	—		8,382
Loss on early extinguishment or restructuring of debt	(11,969)	—	—	—		—		—		(11,969)	—	—	—	—		(11,969)
Foreign currency transaction gain (loss)	1,061	—	(1,634)	—		—		—		(573)	—	—	—	—		(573)
(Loss) income from continuing operations before income from equity investees and income tax benefit (expense)	(37,245)	9,848	20,270	(1,193)		(3,629)		(24,444)		(36,393)	(14,530)	(868)	(15,398)	9,728		(42,063)
Income from equity investees	3,359	—	2,955	—		—		—		6,314	—	—	—	—		6,314
Income tax benefit (expense)	24,484	(3,619)	(979)	—		—		—		19,886	5,443	315	5,758	(3,405)	(7e)	22,239
(Loss) income from continuing operations	(9,402)	6,229	22,246	(1,193)		(3,629)		(24,444)		(10,193)	$ (9,087)	$ (553)	$ (9,640)	$ 6,323		$ (13,510)
Less: Net (income) loss from continuing operations attributable to the	(2,559)	(58)	(2,220)	1,372	(8c)	(497)	(8f)	—		(3,962)	—	—	—	—		(3,962)

noncontrolling interest														
Net (loss) income from continuing operations	(11,961)	6,171	20,026	179	(4,126)	(24,444)		(14,155)	(9,087)	(553)	(9,640)	6,323		$ (17,472)
Less: Preferred stock and dividends accretion	2,049	—	—	—	—	1,246	(8h)	3,295	—	—	—	—		3,295
Net loss from continuing operations attributable to common stock and participating preferred stockholders	$ (14,010)	$ 6,171	$ 20,026	$ 179	$(4,126)	$(25,690)		$ (17,450)	$ (9,087)	$ (553)	$ (9,640)	$ 6,323		(20,767)
Basic net loss per common share from continuing operations attributable to HC2 Holdings, Inc.	$ (0.71)													$ (0.72)
Diluted net loss per common share from continuing operations attributable to HC2 Holdings, Inc.	$ (0.71)													$ (0.72)
Weighted average common shares outstanding														
Basic	19,729											9,177	(9)	28,906
Diluted	19,729											9,177	(9)	28,906

See notes to unaudited pro forma condensed combined financial statements

1. Description of the Transaction

Acquisition of UTAIC and CGIC

On April 13, 2015, the Company entered into a stock purchase agreement with Continental General Corporation and Great American Financial Resources, Inc. (collectively, the “Sellers”), pursuant to which the Company agreed to purchase all of the issued and outstanding shares of common stock of the Targets, as well as all assets owned by the Sellers or their affiliates that are used exclusively or primarily in the business of the Targets, subject to certain exceptions. The consideration payable by the Company at closing is approximately $7 million, which amount will be increased or decreased by the amount by which the Targets’ adjusted capital and surplus exceeds or falls short of, respectively, an agreed-upon target capital and surplus amount (the “Closing Purchase Price”). The Closing Purchase Price could be paid in a mix of cash, debt and/or common stock of the Company, depending on the amount of the Closing Purchase Price.

The Company also agreed to contribute to the Targets, after the closing, $13 million in cash or assets (the “Reserve Release Amount”), and to pay to the Sellers, on an annual basis with respect to the years 2015 through 2019, the amount, if any, by which the Targets’ cash flow testing and premium deficiency reserves decrease from the amount of such reserves as of December 31, 2014, up to the Reserve Release Amount. The Company has also agreed to contribute to the Targets an additional amount in cash or assets as required to offset the impact on the Targets’ statutory capital and surplus of the election to be made by HC2 and the Sellers pursuant to Section 338(h)(10) of the Internal Revenue Code (the “338 Election”) in connection with the transaction, if and to the extent required by insurance regulatory authorities and subject to an aggregate cap of $22 million.

Previous acquisitions reflected within the pro forma

On May 29, 2014, the Company completed the acquisition of 2.5 million shares of common stock of 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. 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 and the nine months ended September 30, 2015, 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 816,414 shares and an increase in our ownership interest to 91%. 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 with 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. The Company acquired Schuff to expand the business that it engages in and saw Schuff as an opportunity to enter the steel fabrication and erection market. The Company purchased 2.5 million shares of common stock of Schuff for $78.75 million. The purchase price of Schuff was valued at $31.50 per share which represented both the cash paid by the Company for its 60% interest, and the fair value of the noncontrolling interest of 40%.

On September 22, 2014, the Company completed the acquisition of GMSL. The purchase price is reflective of an enterprise value of approximately $260 million, including assumed indebtedness of approximately $130 million leaving a net enterprise value of approximately $130 million, which represented both the cash paid by the Company for its 97% interest, and the fair value of the noncontrolling interest of 3%. GMSL is a leading provider of engineering and underwater services on submarine cables.

2. Basis of Presentation

The unaudited pro forma condensed combined balance sheet as of September 30, 2015 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and nine months ended September 30, 2015 are based on the historical combined financial statements of HC2, UTAIC, CGIC, after giving effect to the completion of the acquisition and the assumptions and adjustments described in the accompanying notes. In addition, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 is inclusive of the Schuff and GMSL historical operations prior to the acquisition by HC2. Such pro forma adjustments are (1) factually supportable, (2) directly attributable to the acquisition, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the results of operations of the combined company.

The acquisition of the Targets will be accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (“ASC 805”) with HC2 as the acquiring entity. In business combination transactions in which the consideration given is not in the form of cash (that is, in the form of non-cash assets, liabilities incurred, or equity interests issued), measurement of the acquisition consideration is based on the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable.

At this preliminary stage, no identifiable finite lived intangible assets were identified for the acquisition of the Targets. The estimated identifiable indefinite lived intangible asset represents state licenses, which are not amortized, but will be subject to periodic impairment testing. Reserves were calculated using actuarial assumptions for future morbidity, persistency, premiums and future expenses as of September 30, 2015. In addition, the reserves reflect current and forward interest rates based on the current economic environment. A provision for adverse deviation was included on future interest rates and premiums. Goodwill represents the excess of the estimated purchase price over the estimated fair value of the Targets' assets and liabilities, and will not be amortized, but will be subject to periodic impairment testing. Upon consummation of the acquisition, the estimated fair value of the assets and liabilities will be updated.

The unaudited pro forma condensed combined financial statements are presented solely for informational purposes and are not necessarily indicative of the combined financial position or the results of operations that might have been achieved had the transaction been completed as of the dates indicated, nor are they meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the transaction.

3. Accounting Policies

As part of preparing the unaudited pro forma condensed combined financial statements, the Company conducted a review of the accounting policies of the Targets to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to HC2's accounting policies and classifications. The Company did not become aware of any material differences between the accounting policies of HC2 and the Targets during the preparation of these unaudited pro forma condensed combined financial statements, with the exception of certain insurance specific accounting policies, which would not be applicable to HC2 prior to the Targets acquisition and certain reclassifications necessary to conform to HC2's financial presentation. Accordingly, these unaudited pro forma condensed combined financial statements do not assume any material differences in accounting policies between HC2 and the Targets. The results of this review are included in Note 4. Upon consummation of the Targets acquisition, a more comprehensive review of the accounting policies of the Targets will be performed which may identify other differences among the accounting policies of HC2 and the Targets that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements.

4. Historical HC2, and Targets conforming adjustments

HC2 has historically reported a classified balance sheet, with assets and liabilities separated between current and non-current, while the Targets have historically reported their balance sheets on an unclassified basis. However, after giving consideration to the nature of the Targets businesses and the impact of their inclusion of their balance sheets on HC2's consolidated balance sheet upon completion of the acquisition, HC2 will report its consolidated balance sheet on an unclassified basis, and HC2's consolidated balance sheet presentation and captions will be generally based on the SEC's Regulation §S-X 210-7.03. Accordingly, HC2's historical amounts reflected in the unaudited combined pro forma balance sheet as of September 30, 2015 have been reclassified to conform to the unclassified presentation. A reconciliation of the significant reclassifications made to HC2's historical balance sheet is provided below.

Financial information of HC2 column of the unaudited pro forma condensed combined balance sheet represents the historical reported balances of HC2 reclassified to conform to the go-forward presentation as a result of the acquisition of the Targets in HC2's consolidated financial statements as set forth below (dollars in thousands). Unless otherwise indicated, defined line items included in the notes have the meanings given to them in the historical financial statements of HC2.

	Historical	Adjustment	Prospective	Ref.
Assets				
Short-term investments	3,625	(3,625)	—	1
Long-term investments	77,154	(77,154)	—	1
Equity securities, available for sale at fair value	—	2,593	2,593	1
Other investments	—	78,186	78,186	1
Deferred tax asset - current	1,701	(1,701)	—	2
Deferred tax asset - long-term	23,571	(23,571)	—	2
Deferred tax asset	—	25,272	25,272	2
Prepaid expenses and other current assets	27,835	(27,835)	—	3
Other assets	18,201	27,835	46,036	3

1. Adjustment to reclassify $3.6 million of "Short-term investments" and $77.2 million of "Long-term investments into $2.6 million of "Equity securities, available for sale at fair value" and $78.2 million of "Other investments".
2. Adjustment to reclassify "Deferred tax asset - current" and "Deferred tax asset - long-term" to "Deferred tax asset".
3. Adjustment to reclassify "Prepaid expenses and other current assets" to "Other assets".

	Historical	Adjustment	Prospective	Ref.
Liabilities				
Accounts payable	65,573	(65,573)	—	1
Accrued interconnection costs	36,689	(36,689)	—	1
Accrued payroll and employee benefits	22,127	(22,127)	—	1
Accrued expenses and other current liabilities	48,338	(48,338)	—	1
Accrued income taxes	1,470	(1,470)	—	1
Accrued interest	11,567	(11,567)	—	1
Accounts payable and other current liabilities	—	185,764	185,764	1
Current portion of long-term obligations	13,454	(13,454)	—	2
Long-term obligations	374,404	13,454	387,858	2

1. Adjustment to reclassify "Accounts payable", "Accrued interconnection costs", "Accrued payroll and employee benefits", "Accrued expenses and other current liabilities", "Accrued income taxes", and "Accrued interest" to "Accounts payable and other current liabilities".
2. Adjustment to reclassify "Current portion of long-term obligations" to "Long-term obligations".

Financial information of the Targets was reclassified to conform to the presentation of HC2's condensed consolidated financial statements as set forth below. Unless otherwise indicated, defined line items included in the notes have the meanings given to them in the historical financial statements of the Targets.

Targets' Reclassification and classification of the unaudited condensed combined pro forma balance sheet as of September 30, 2015 (dollars in thousands):

	UTAIC			CGIC			
	Historical	Adjustment	Prospective	Historical	Adjustment	Prospective	Ref.
Deferred policy acquisition costs	47,308	(47,308)	—	15,776	(15,776)	—	1
Other assets	5,457	(2,146)	3,311	4,097	(2,695)	1,402	1
Intangibles including DAC, net	—	47,308	47,308	—	18,471	18,471	1
Goodwill	—	2,146	2,146	—	—	—	1

1. Adjustment to reclassify "Deferred policy acquisition costs" and intangible assets within "Other assets" into "Intangibles including DAC, net" and "Goodwill".

5. Preliminary Purchase Allocation

Preliminary allocation of the Closing Purchase Price and the Reserve Release Amount

The Closing Purchase Price, the number of shares to be issued, and the amount of cash to be paid, in connection with the acquisition of the Targets has not been finalized and will be determined only immediately prior to the closing. The transaction is expected to close during the fourth quarter of 2015, subject to customary closing conditions and the receipt of required governmental approvals. We can provide no assurance that the transaction will close in the expected time frame, or at all. The allocation of the total consideration shown below is based on preliminary estimates and is subject to change based on the final determination of the fair value of the Targets' assets acquired and liabilities assumed. At this preliminary stage, the purchase consideration is planned to be paid in cash, HC2's common stock and 11% Senior Secured Notes due 2019 and is subject to change at the Company's discretion.

The fair value of consideration expected to be transferred at closing is detailed below (dollars in thousands):

	Cash	Notes	Equity	Total
Base purchase price	$ 5,000	$ 2,000	$ —	$ 7,000
Excess capital and surplus adjustment	1,758	—	5,274	7,032
Closing Purchase Price	6,758	2,000	5,274	14,032
Reserve Release Amount	3,250	—	9,750	13,000
Total due to sellers	$ 10,008	$ 2,000	$ 15,024	$ 27,032

The Reserve Release Amount is calculated based on the fluctuation of the statutory cash flow testing and premium deficiency reserves annually following each of the Targets' filing with its domiciliary insurance regulator of its annual statutory statements for each calendar year ending December 31, 2015 through and including December 31, 2019 to bridge the gap between estimates at the time of acquisition and actual results. To calculate our estimate, cash flow testing sensitivities were performed assuming improved yields on the asset portfolio based on modest increases in interest rates back towards historical averages. These sensitivities resulted in the estimated projected future reserve releases that may occur. Interest rate assumption improvements alone were the basis for the projected cash flow testing reserve release. Based on the performed analysis, HC2 expects to fund the Reserve Release Amount over the prescribed period. The Company will re-perform this assessment at each reporting period through December 31, 2019 or until the total of the Contingent Payments reaches $13 million.

Preliminary estimate of assets acquired and liabilities assumed (dollars in thousands):

Assets	
Cash and cash equivalents	$ 24,912
Fixed maturities, available for sale at fair value	1,250,912
Equity securities, available for sale at fair value	72,367
Mortgage loans	1,445
Policy loans	18,476
Other investments	4,369
Accrued investment income	15,410
Reinsurance recoverable on losses and loss expenses	595,482
Intangibles	2,695
Other assets, net	4,368
Deferred tax asset	13,564
Liabilities	
Annuity reserves	263,299
Life, accident and health reserves	1,710,119
Other liabilities	27,105
Total identifiable net assets acquired	3,477
Goodwill	23,555
Total due to sellers	$ 27,032

Under ASC Topic 805, Business Combinations, ("ASC 805"), assets acquired and liabilities assumed are recorded at fair value. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed from the acquisition are based on a preliminary estimate of fair value. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed will be recognized as goodwill. Such a valuation requires estimates and assumptions including, but not limited to, estimating future cash flows and direct costs in addition to developing the appropriate discount rates. HC2's management believes the fair values recognized for the assets to be acquired and the liabilities to be assumed are based on reasonable estimates and assumptions currently available. The final determination of the acquisition consideration and fair values of the Targets assets and liabilities will be based on the actual net tangible and intangible assets of the Targets that exist as of the date of completion of the acquisition. Consequently, the amounts allocated to goodwill and intangible assets could change significantly from those allocations used in the unaudited pro forma condensed combined financial statements presented below and could result in a material change in amortization of acquired finite lived intangible assets.

The preliminary fair values of intangible assets were determined based on the provisions of ASC 805, which defines fair value in accordance with ASC Topic 820, Fair Value Measurements and Disclosures, ("ASC 820"). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Intangible assets were identified that met either the separability criterion or the contractual-legal criterion described in ASC 805. At this preliminary stage, the intangible assets identified are indefinite lived identifiable intangible assets representing state licenses with a value of $2.7 million, which are not amortized, but will be subject to periodic impairment testing. In addition, the Company determined the fair value of the Targets' life, accident and health reserves through cash flow projections and capital requirements using actuarial assumptions and gross premium adequacy analysis.

The expected amortization related to the preliminary fair value of the acquired intangible assets and liabilities for the five years following the acquisition is reflected in the table below (dollars in thousands):

			Year following the acquisition				
	September 30, 2015	**Estimated remaining useful life**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Amortization of intangibles							
State licenses	$ 2,695	Indefinite	n/a	n/a	n/a	n/a	n/a
Benefit of the fair value adjustment to acquire Life accident and health reserves	$ 198,469	60 years	$ 8,812	$ 8,451	$ 7,766	$ 7,130	$ 6,528
Total expected amortization, after-tax			$ 5,728	$ 5,493	$ 5,048	$ 4,635	$ 4,243

Taxes

The Company has agreed to make a joint election with the Sellers under the 338 Election to treat the stock purchases as asset purchases for U.S. Federal income tax purposes. The resulting step-down in the tax bases of the acquired assets is reflected in the above net deferred tax asset of $13.6 million for differences between the fair value and tax bases of the acquired assets and liabilities. The Company estimates that none of the goodwill reflected above will be deductible for income tax purposes.

The net deferred tax asset includes $0.9 million for the estimated tax basis in amortizable policy acquisition costs ("DAC Tax"), which is fully offset by a current tax liability of $0.9 million included in other liabilities. The current tax liability is a result of the 338 Election which allows the Sellers to deduct any unamortized DAC Tax at the acquisition date, but requires the Company to re-establish DAC Tax on the acquired assets as if they were purchased in a taxable reinsurance transaction. However, this re-established DAC Tax causes a current tax liability to the Company which is a temporary difference that will be amortized and deductible over the following 10 years for income tax purposes.

6. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

The unaudited pro forma condensed combined financial statements are not necessarily indicative of what the financial position and results from operations actually would have been had the acquisition been completed at the date indicated and includes adjustments which are preliminary and may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined companies would have been, nor necessarily indicative of the financial position of the post-acquisition periods. The unaudited pro forma condensed combined financial statements do not give consideration to the impact of expense efficiencies, synergies, integration costs, asset dispositions, or other actions that may result from the acquisition.

Adjustments included in the "Pro Forma Adjustments" column in the accompanying unaudited pro forma condensed combined balance sheet as of September 30, 2015 are as follows (dollars in thousands):

		Increase (decrease)
Assets		
(6a)	*Adjustments to cash and cash equivalents:*	
	To reflect the cash consideration paid by HC2 to UTAIC/CGIC common shareholders to effect the merger funded by available cash resources	$ (6,758)
	To reflect estimated transaction costs to be paid by HC2	(378)
		(7,136)

(6b)	*Adjustments to deferred tax assets:*		
	To eliminate deferred tax asset of CGIC as a result of the 338 Election		(22,281)
	To reflect impact to deferred tax asset as a result of the 338 Election		13,564
			(8,717)
(6c)	*Adjustments to goodwill:*		
	Eliminate UTAIC/CGIC 's historical goodwill		(2,146)
	To record goodwill determined as the preliminary acquisition consideration paid to effect the merger in excess of the estimated fair value of the net assets acquired		23,555
			21,409
(6d)	Adjustment to eliminate UTAIC/CGIC 's deferred acquisition costs and VOBA		(63,084)
(6e)	Adjustment to eliminate intercompany transactions between UTAIC/CGIC		(345)
	Total adjustments to assets	$	(57,873)
Liabilities			
(6f)	To reflect Life, accident and health reserves at fair value	$	198,469
(6g)	To eliminate deferred tax liability of UTAIC as a result of the 338 Election		(1,509)
(6h)	To reflect the issuance of the 11% Senior Secured Notes due 2019		2,000
(6i)	*Adjustments to other liabilities:*		
	To eliminate intercompany receivables and payables between UTAIC and CGI		(345)
	To reflect the fair value of additional Contingent Payment		13,000
	To record Federal Income Tax payable		881
			13,536
	Total adjustments to liabilities	$	212,496
Stockholders' equity			
(6j)	*Adjustments to common stock:*		
	To reflect the elimination of the par value of UTAIC and CGIC 's common shares outstanding	$	(6,697)
	To reflect the common stock issued as part of the acquisition of the Targets		1
			(6,696)
(6k)	*Adjustments to additional paid-in capital:*		
	To eliminate UTAIC and CGIC's historical additional paid-in capital		(246,810)
	To reflect the additional paid-in-capital due to the stock issuance		5,273
			(241,537)
(6l)	*Adjustments to retained earnings:*		
	To reflect the elimination of UTAIC and CGIC 's historical retained earnings (accumulated deficit)		2,397
	To reflect estimated transaction costs to be paid by HC2, net of tax		(378)
			2,019
(6m)	*Adjustment to eliminate UTAIC/CGIC's accumulated other comprehensive income:*		(24,155)
	Total adjustments to stockholders' equity	$	(270,369)
	Total adjustments to liabilities and stockholders' equity	$	(57,873)

On November 4, 2015, HC2 announced the pricing of an underwritten public offering of 7,350,000 newly issued shares of the Company's common stock at a price to the public of $7.00 per share ("the Public Offering"). In addition, the Company has granted the underwriter a 30-day option to purchase up to an additional 1,102,500 shares of its common stock at the public offering price, less the underwriting discounts and commissions. The offering closed on or about November 9, 2015. The gross proceeds from the offering were $56.2 million before deducting underwriting discounts and commissions and fees and offering expenses payable by the Company. All of the shares were sold by the Company. The Company intends to use the net proceeds from the offering to finance investments in existing subsidiaries and operations, potential acquisitions, including all or a portion of the consideration for the acquisition of the Targets, development and redevelopment activities, debt repayments, the repurchase or redemption of preferred stock and for other general corporate purposes.

Adjustments included in the “Financing Adjustments” column in the accompanying unaudited pro forma condensed combined balance sheet as of September 30, 2015 are as follows (dollars in thousands):

			Increase (decrease)
Assets			
(6n)	*Adjustments to cash and cash equivalents:*		
	Gross proceeds from the issuance of the Company's common stock	$	56,209
	Expenses paid for the issuance of the Company's common stock		(1,500)
	Net proceeds from the issuance of the Company's common stock		54,709
	Total adjustments to assets	$	54,709
Liabilities			
(6o)	*Adjustments to accounts payable and other current liabilities*		
	To reflect estimate of additional unpaid fees	$	1,900
	Total adjustments to liabilities	$	1,900
Stockholders' equity			
(6p)	*Adjustments to common stock:*		
	To reflect par value	$	8
(6q)	*Adjustments to additional paid-in capital:*		
	To reflect excess of par value less associated fees	$	52,801
	Total adjustments to stockholders' equity	$	52,809
	Total adjustments to liabilities and stockholders' equity	$	54,709

7. Unaudited Pro Forma Condensed Combined Statements of Operations Adjustments

Adjustments included in the “Pro Forma Adjustments” column in the accompanying unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are as follows (dollars in thousands):

		Increase (decrease)			
Revenues					
(7a)	Adjustment to net investment income to amortize the fair value adjustment to UTAIC and CGIC 's investments	$	(4,747)	$	(6,176)
Expenses					
(7b)	Adjustment to amortize the difference between the estimated fair value and the historical value of UTA and CGI's Life, accident and health Reserves	$	(6,338)	$	(8,649)
(7c)	Adjustment to eliminate UTAIC/CGIC 's historical policy acquisition costs following the write-off of the deferred policy acquisition costs asset		(6,835)		(7,475)
	Total adjustments to operating expenses	$	(13,173)	$	(16,124)
(7d)	Adjustment to reflect the interest expense on the 11% Senior Secured Notes due 2019	$	(165)	$	(220)
Net Income					
(7e)	Adjustment to reflect the income tax impact on the unaudited pro forma adjustments using the U.S. statutory tax rate of 35%	$	(2,891)	$	(3,405)

The transaction costs reflected in the pro forma relate to professional fees and other costs associated with the acquisition, including legal, accounting, tax and printing fees to be paid to third parties based on actual expenses incurred to date and best estimates provided by third party service providers to HC2 and the Targets. The adjustment does involve a degree of judgment and estimation, which HC2 management believes to be reasonable as at the date of this Form 8-K. There can be no assurance that these estimates will not change, even materially, as the transaction progresses to its conclusion. These transaction and related costs are one-time in nature and are not expected to have a continuing impact and as such are not included in the unaudited pro forma condensed combined statements of operations for the nine months ended September 31, 2015.

8. Unaudited Pro Forma Condensed Combined Statements of Operations Adjustments related to Schuff and GMSL

2014 Schuff Purchase Pro Forma Adjustments

Pro forma adjustments are made to reflect the adjustment to depreciation expense resulting from the increase in net book value of property and equipment, the amortization expense related to the intangible assets and the adjustment to net income (loss) for the noncontrolling interest.

The specific pro forma adjustments included in the unaudited pro forma condensed combined financial statements for the year ended December 31, 2014 are as follows (dollars in thousands):

		Increase (decrease)
Expenses		
(8a)	Adjustment for depreciation expense resulting from adjustment of net book value to fair value of Schuff's property and equipment arising from the Schuff acquisition	1,019
(8b)	Adjustment to depreciation expense resulting from adjustment of net book value to fair value of Schuff's property and equipment and the amortization of intangible assets arising from the Schuff acquisition	174
	Total adjustments to expenses	$ (1,193)
Net Income		
(8c)	Noncontrolling interest income percentage from 30% to 9% of net income (loss) not attributable to HC2's ownership of Schuff.	$ (1,372)

2014 GMSL Pro forma Adjustments

Pro forma adjustments are made to reflect the adjustment to depreciation expense resulting from the increase in net book value of property and equipment, the amortization expense related to the intangible assets, the adjustment to deferred revenue on installation and maintenance agreements and the adjustment to net income (loss) for the noncontrolling interest.

The specific pro forma adjustments included in the unaudited pro forma condensed combined financial statements for the year ended December 31, 2014 are as follows (dollars in thousands):

		Increase (decrease)
Revenues		
(8d)	Adjustment to installation and maintenance revenue	$ (159)
Expenses		
(8e)	Depreciation expense resulting from adjustment of net book value to fair value of Bridgehouse Marine's property and equipment and the amortization of intangible assets arising from the acquisition of Bridgehouse Marine.	$ 3,470
Net Income		
(8f)	Noncontrolling interest income adjustment for the approximate 3% of net income (loss) not attributable to HC2's ownership	$ 497

2014 Acquisition Other Pro forma Adjustments

Pro forma adjustments are made to reflect the increase in interest expense. The Company entered into a note purchase agreement with respect to senior secured notes in the amount of $250 million on November 22, 2014. The specific pro forma adjustments included in the unaudited pro forma condensed combined financial statements for the year ended December 31, 2014 are as follows (dollars in thousands):

		Increase (decrease)
Expenses		
(8g)	The increase in interest expense as a result of $250 million principal amount notes issued at 11% per annum	$ 24,444
Other		
(8h)	Preferred stock and dividend accretion adjustment	$ 1,246

9. Earnings per Share

The pro forma basic and diluted net loss per common share reflects the assumed issuance of 724 thousand shares assuming a 30 day volume weighted average price of 7.2887 of HC2's common stock to the Sellers in connection with the purchase of the Targets and the Public Offering. However, the actual number of shares to be issued in connection with the issuance of the Targets has not been finalized and will be determined only immediately prior to the purchase of the Targets. The pro forma basic and diluted net loss per common share is based on the weighted average number of common shares of HC2's common stock outstanding during the period. The diluted weighted average number of common shares excludes outstanding stock options, restricted stock units, warrants and convertible preferred stock as a result of the results of operations being loss from continuing operations.

The Following table sets forth the calculation of basic and diluted earnings per common share and the calculation of the basic and diluted weighted average common shares outstanding for the nine months ended September 30, 2015 and the year ended December 31, 2014:

	For the Nine Months Ended September 30, 2015	
	Basic	Diluted
Pro forma net loss from continuing operations attributable to common stock and participating preferred stockholders	$ (13,803)	$ (13,803)
Weighted average common shares outstanding	25,093	25,093
HC2 common shares issued as acquisition consideration	724	724
HC2 common shares issued through the Public Offering	8,453	8,453
Total shares issued	9,177	9,177
Pro forma weighted average common shares outstanding	34,270	34,270
Pro forma net loss per common share from continuing operations attributable to HC2	$ (0.40)	$ (0.40)

	For the Year Ended December 31, 2014	
	Basic	Diluted
Pro forma net loss from continuing operations attributable to common stock and participating preferred stockholders	$ (20,767)	$ (20,767)
Weighted average common shares outstanding	19,729	19,729
HC2 common shares issued as acquisition consideration	724	724
HC2 common shares issued through the Public Offering	8,453	8,453
Total shares issued	9,177	9,177
Pro forma weighted average common shares outstanding	28,906	28,906
Pro forma net loss per common share from continuing operations attributable to HC2	$ (0.72)	$ (0.72)