Form **8937**
(December 2017)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

► **See separate instructions.**

OMB No. 1545-0123

Part I Reporting Issuer

1 Issuer's name: HC2 Holdings, Inc.	2 Issuer's employer identification number (EIN): 54-1708481

3 Name of contact for additional information: Michael Sena	4 Telephone No. of contact: (212) 235-2690	5 Email address of contact: msena@hc2.com

6 Number and street (or P.O. box if mail is not delivered to street address) of contact: 450 Park Avenue, 29th Floor	7 City, town, or post office, state, and ZIP code of contact: New York, NY 10022

8 Date of action: October 7, 2020	9 Classification and description: Common shares; Series A-1, Series A-2, and Series B preferred shares

10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
404139107; 404139206		HCHC	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ► See Attached

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ► See Attached

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See Attached

Part II **Organizational Action** *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attached

18 Can any resulting loss be recognized? ▶ See Attached

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attached

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ [signature] Date ▶ 11/21/20

Print your name ▶ Michael Sena Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

HC2 Holdings, Inc.

Attachment to IRS Form 8937

Date of Organizational Action: October 7, 2020

Part II – Question 14

On October 7, 2020, HC2 Holdings, Inc., a Delaware corporation ("HC2") (EIN: 54-1708481), commenced a rights offering to raise proceeds of up to $65 million (the "rights offering"). Pursuant to the rights offering, HC2 distributed to the holders (collectively, the "stockholders") of (i) HC2's common stock, par value $0.001 per share (the "common stock") and (ii) HC2's Series A Convertible Participating Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), Series A-2 Convertible Participating Preferred Stock, par value $0.001 per share (the "Series A-2 Preferred Stock"), and Series B Non-Voting Convertible Participating Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock" and, together with the Series A Preferred Stock and the Series A-2 Preferred Stock, the "preferred stock") that are entitled to participate in dividend distributions to holders of the common stock transferable rights (the "rights") to purchase up to an aggregate of 28,634,361 shares of HC2's common stock at a cash subscription price of $2.27 per share. A stockholder was not entitled to receive any rights unless such stockholder was a stockholder of record as of 5:00 p.m., New York City time, on October 2, 2020. The rights expired if they were not exercised by 5:00 p.m., New York City time, on November 20, 2020, the expected expiration date of the rights offering.

Part II – Question 15

The U.S. federal income tax treatment of the receipt of a right by a stockholder is subject to uncertainty. While not free from doubt, HC2 is taking the position that the receipt of a right is not treated as a taxable distribution for U.S. federal income tax purposes, and the remainder of this discussion assumes such treatment. HC2 is further taking the position that the fair market value of each right on the date of receipt is less than 15 percent of the aggregate fair market of the stockholder's existing shares of HC2 common stock or preferred stock, as applicable. Accordingly, absent an affirmative election by a stockholder under Section 307(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations sections 1.307-1 and 1.307-2 to allocate basis between the stockholder's existing common or preferred stock and the rights as described below, the basis of rights should be zero for U.S. federal income tax purposes.

A stockholder may elect under Section 307(b) of the Code and Treasury Regulations sections 1.307-1 and 1.307-2 to allocate basis to the rights by attaching a statement to the stockholder's U.S. federal income tax return for the year in which the rights are received. This election, once made, is irrevocable with respect to the rights for which the election was made. If such an election is made, the stockholder's basis will be allocated between the stockholder's existing common stock or preferred stock, as applicable, and the rights in proportion to their relative fair market values on the date the stockholder received the rights.

Part II – Question 16

HC2 has determined that the fair market value of the rights is less than 15 percent of the aggregate fair market value of the common stock and preferred stock, as applicable, on which the rights were distributed and, accordingly, absent an election by the stockholder under Section 307(b) of the Code and Treasury Regulations sections 1.307-1 and 1.307-2, the basis of the rights is zero and there is no change in the basis of the stockholder's common stock or preferred stock for U.S. federal income tax purposes.

If a stockholder elects under Section 307(b) of the Code and Treasury Regulations sections 1.307-1 and 1.307-2 to allocate basis to the rights, the stockholder's basis will be allocated between the stockholder's existing common stock or preferred stock, as applicable, and the rights in proportion to their relative fair market values on the date the stockholder received the rights. The fair market value of the rights on the date of distribution of the rights is inherently uncertain. HC2 has not obtained any fair market value appraisal, and HC2 does not plan to commission any appraisal regarding the fair market value of the rights. In ascertaining fair market value of the rights, a stockholder should consider all relevant facts and circumstances. Stockholders should consult with their own tax advisors to determine what measure of fair market value is appropriate.

Part II – Question 17

While not free from doubt, HC2 is taking the position that the receipt of a right is not treated as a "disproportionate distribution" within the meaning of Section 305 of the Code. Assuming such position is correct, the tax treatment to stockholders of a distribution of rights is based on the following Code sections:

A. Code Section 305 – Distributions of stock and stock rights
B. Code Section 307 – Basis of stock and stock rights acquired in distributions
C. Code Section 1223 – Holding period of property

Part II – Question 18

If the receipt of rights is treated as a non-taxable stock distribution to stockholders and a stockholder allows the rights received by such stockholder in the rights offering to expire, such stockholder will not be permitted to recognize a taxable loss in respect of such expired rights. If such stockholder's basis in its shares of common stock or preferred stock, as applicable, was allocated between that stock and the rights, then such stockholder's basis in the expired rights will be reallocated to that stock. A stockholder will not recognize any loss upon the exercise of the rights.

Part II – Question 19

The rights offering occurred on October 7, 2020. The stock basis adjustment, if any, will be taken into account in the taxable year of the stockholder that includes October 7, 2020.

THE INFORMATION ABOVE IS NOT TAX ADVICE, AND IT IS NOT A COMPLETE ANALYSIS OR DESCRIPTION OF EVERY POTENTIAL U.S. FEDERAL INCOME TAX CONSEQUENCE OR ANY OTHER TAX CONSEQUENCE OF THE RIGHTS OFFERING. IN ADDITION, THE SUMMARY DOES NOT ADDRESS U.S. FEDERAL INCOME TAX CONSEQUENCES THAT MAY VARY WITH, OR ARE CONTINGENT ON, INDIVIDUAL CIRCUMSTANCES, NOR DOES IT ADDRESS ANY U.S. NON-INCOME, STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES. ACCORDINGLY, EACH STOCKHOLDER IS URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISER TO DETERMINE THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO HIM, HER OR IT OF THE RIGHTS OFFERING.