HC2 HOLDINGS, INC.
Form 10-K
March 12, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
Commission File No. 001-35210

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

Delaware	54-1708481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 Park Avenue, 30th Floor, New York, NY	10022
(Address of principal executive offices)	(Zip Code)

(212) 235-2690
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act:
N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No
Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange

Act. (Check one):

Large accelerated filer	Accelerated filer	x
Non-accelerated filer	Smaller reporting company	
	Emerging growth company	

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

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

The aggregate market value of HC2's common stock held by non-affiliates of the registrant as of June 30, 2018 was approximately $249,795,386, based on the closing sale price of the Common Stock on such date.

As of February 28, 2019, 44,971,835 shares of common stock, par value $0.001, were outstanding.

Documents Incorporated by Reference:

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the registrant's 2019 Annual Meeting of Stockholders are
incorporated by reference into Part III.

PART I
ITEM 1. BUSINESS

Unless the context otherwise requires, in this Annual Report on Form 10-K, "HC2," means HC2 Holdings, Inc. and the "Company," "we" and "our" mean HC2 together with its consolidated subsidiaries.

This Annual Report on Form 10-K contains forward looking statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Special Note Regarding Forward-Looking Statements."

General

HC2 is a diversified holding company that seeks opportunities to acquire and grow businesses that can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. As of December 31, 2018, our eight reportable operating segments based on management's organization of the enterprise included Construction, Marine Services, Energy, Telecommunications, Insurance, Life Sciences, Broadcasting and Other, which includes businesses that do not meet the separately reportable segment thresholds.

Our principal operating subsidiaries include the following assets:

(i) DBM Global Inc. ("DBMG") (Construction), a family of companies providing fully integrated structural and steel construction services;
(ii) Global Marine Group ("GMSL") (Marine Services), a leading provider of engineering and underwater services on submarine cables;
(iii) American Natural Gas ("ANG") (Energy), a compressed natural gas fueling company;
(iv) PTGi-International Carrier Services Inc. ("ICS") (Telecommunications), a provider of internet-based protocol and time-division multiplexing access for the transport of long-distance voice minutes;
(v) Continental Insurance Group Ltd. ("CIG") (Insurance), a platform for our run-off long-term care and life and annuity business, through its insurance company, Continental General Insurance Company ("CGI" or the "Insurance Company");
(vi) Pansend Life Sciences, LLC ("Pansend") (Life Sciences), our subsidiary focused on supporting healthcare and biotechnology product development;
(vii) HC2 Broadcasting Holdings Inc. ("HC2 Broadcasting") and its subsidiaries, a strategic acquirer and operator of Over-The-Air ("OTA") broadcasting stations across the United States ("U.S."). In addition, Broadcasting, through its wholly-owned subsidiary, HC2 Network Inc. ("Network"), operates Azteca America, a Spanish-language broadcast network offering high quality Hispanic content to a diverse demographic across the United States; and
(viii) Other, which represents all other businesses or investments we believe have significant growth potential that do not meet the definition of a segment individually or in the aggregate.

We expect to continue to focus on acquiring and investing in businesses with attractive assets that we consider to be undervalued or fairly valued, and growing our acquired businesses.

Overall Business Strategy

We evaluate strategic and business alternatives, which may include the following: acquiring assets or businesses unrelated to our current or historical operations; operating, growing or acquiring additional assets or businesses related to our current or historical operations; or winding down or selling our existing operations. We generally pursue either controlling positions in durable, cash-flow generating businesses or companies we believe exhibit substantial growth potential. We may choose to actively assemble or re-assemble a company's management team to ensure the appropriate expertise is in place to execute the operating objectives of such business. We view ourselves as strategic and financial partners and seek to align our management teams’ incentives with our goal of delivering sustainable long-term value to our stakeholders.

As part of any acquisition strategy, we may raise capital in the form of debt or equity securities (including preferred stock) or a combination thereof. We have broad discretion in selecting a business strategy for the Company. If we elect to pursue an acquisition, we have broad discretion in identifying and selecting both the industry and the possible acquisition or business combination opportunity. We have not identified a specific industry to focus on and there can be no assurance that we will, or we will be able to, identify or successfully complete any such transaction. In connection with evaluating these strategic and business alternatives, we may at any time be engaged in ongoing discussions with respect to possible acquisitions, business combinations and debt or equity securities offerings of widely varying sizes. There can be no assurance that any of these discussions will result in a definitive agreement and if they do, what the terms or timing of any agreement would be.

Competition

From a strategic perspective, we encounter competition for acquisition and business opportunities from other entities having similar business objectives, such as strategic investors and private equity firms, which could lead to higher prices for acquisition targets. Many of these entities are well established and have extensive experience identifying and executing transactions directly or through affiliates. Our financial resources and human resources may be relatively limited when contrasted with many of these competitors which may place us at a competitive disadvantage. Finally, managing rapid growth could create higher corporate expenses, as compared to many of our competitors who may be at a different stage of growth, which could affect our ability to compete for strategic opportunities. Competitive conditions affecting our operating businesses are described in the discussions below.

Employees

As of December 31, 2018, we had approximately 4,119 employees, including the employees of our operating businesses as described in more detail below. We consider our relations with our employees to be satisfactory.

Our Operating Subsidiaries

Construction Segment (DBMG)

DBM Global Inc. is a fully integrated 3D Building Information Modeling ("BIM") modeler, detailer, fabricator, and erector of structural steel and heavy steel plate. DBMG models, details, fabricates and erects structural steel for commercial and industrial and infrastructure construction projects such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas and stadiums, shopping malls, hospitals, dams, bridges, mines and power plants. DBMG also fabricates trusses and girders and specializes in the fabrication and erection of large-diameter water pipe and water storage tanks. Through its Aitken business ("Aitken"), DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. Through its most recent acquisition, GrayWolf Industrial ("GrayWolf"), DBMG also provides specialty maintenance, repair, and installation services to a diverse set of end markets, including power, petrochemical, pulp & paper, and refinery. Headquartered in Phoenix, Arizona, DBMG has operations in Arizona, California, Georgia, Kansas, Kentucky, Texas, and Utah with construction projects primarily located in the aforementioned states.

DBMG’s results of operations are affected primarily by (i) the level of commercial, industrial and infrastructure construction in its principal markets; (ii) its ability to win project contracts; (iii) the number and complexity of project changes requested by customers or general contractors; (iv) its success in utilizing its resources at or near full capacity; and (v) its ability to complete contracts on a timely and cost-effective basis. The level of commercial, industrial and infrastructure construction activity is related to several factors, including local, regional and national economic conditions, interest rates, availability of financing, and the supply of existing facilities relative to demand.

Strategy

DBMG’s objective is to achieve and maintain a leading position in the geographic regions and project segments that it serves by providing timely, high-quality services to its customers. DBMG pursues this objective with a strategy comprised of the following components:

- Pursue Large, Value-Added Design-Build Projects: DBMG’s unique ability to offer design-build services, a full range of steel construction services and project management capabilities makes it a preferred partner for complex, design-build fabrication projects in the geographic regions it serves. This capability often enables DBMG to bid against fewer competitors in a less traditional, more negotiated selection process on these kinds of projects, thereby offering the potential for higher margins while providing overall cost savings and project flexibility and efficiencies to its customers;

- Expand and Diversify Revenue Base: DBMG is seeking to expand and diversify its revenue base by leveraging its long-term relationships with national and multi-national construction and engineering firms, national and regional accounts and other customers. DBMG also intends to continue to grow its operations by targeting smaller projects that carry higher margins and less risk of large margin fluctuations. DBMG believes that continuing to diversify its revenue base by completing smaller projects - such as low-rise office buildings, healthcare facilities and other commercial and industrial structures - could reduce the impact of periodic adverse market or economic conditions, as well as the margin slippage that may accompany larger projects;

- Emphasize Innovative Services: DBMG focuses its BIM modeling, design-build, engineering, detailing, fabrication and erection expertise on larger, more complex projects, where it typically experiences less competition and more advantageous negotiated contract opportunities. DBMG has extensive experience in providing services requiring complex BIM modeling, detailing, fabrication and erection techniques and other unusual project needs, such as BIM coordination, specialized transportation, steel treatment or specialty coating applications. These service capabilities have enabled DBMG to address such design-sensitive projects as stadiums and uniquely designed hotels and casinos; and

- Diversify Customer and Product Base: Although DBMG seeks to achieve a leading share of the geographic and product markets in which it traditionally competes, it also seeks to diversify its product offerings and geographic markets through acquisition. By expanding the portfolio of products offered and geographic markets served, DBMG believes that it will be able to offer more value-added services to existing and new potential customers, as well as to reduce the impact of periodic adverse market or economic conditions.

Services and Customers

DBMG operates primarily within the over $700 billion non-residential construction industry, which serves a diverse set of end markets.

DBMG consists of six business units spread across diverse steel markets: Schuff Steel Company ("SSC") (steel fabrication and erection), Schuff Steel Management Company ("SSMC") (management of smaller projects, leveraging subcontractors), PDC Global Pty Ltd. ("PDC") (steel detailing, bridge detailing, BIM modeling and BIM management services), BDS VirCon ("BDS") (steel detailing, rebar detailing and BIM modeling services), the Aitken product line ("Aitken") (manufacturing of equipment for the oil and gas industry), and GrayWolf (specialty maintenance, repair, and installation services). For the fiscal year ended December 31, 2018 revenues were as follows (in millions):

	Revenue	% of Revenue	
SSC	$ 639.5	89.3	%
SSMC	26.5	3.7	%
PDC	22.7	3.2	%
BDS	11.1	1.5	%
Aitken	6.6	0.9	%
GrayWolf (1)	10.0	1.4	%
	$ 716.4	100.0	%

(1) Revenue from GrayWolf since acquisition on November 30, 2018

The majority of DBMG's business is in North America, but PDC and BDS provide detailing services on five continents, and SSC provides fabricated steel to Canada and other select countries. In 2018, DBMG's two largest customers represented approximately 28.0% of revenues. In 2017, the same customers represented approximately 38.0% of revenues.

DBMG’s size gives it the production capacity to complete large-scale, demanding projects, with typical utilization per facility ranging from 70%-99% and a sales pipeline that includes over $416 million in potential revenue generation. DBMG believes it has benefited from being one of the largest players in a market that is highly-fragmented across many small firms.

DBMG achieves a highly-efficient and cost-effective construction process by focusing on collaborating with all project participants and utilizing its extensive design-build and design-assist capabilities with its clients. Additionally, DBMG has in-house fabrication and erection combined with access to a network of subcontractors for smaller projects in order to provide high-quality solutions for its customers. DBMG offers a range of services across a broad geography through its twelve fabrication shops in the United States and 32 sales and management facilities located in the United States, Australia, Canada, India, New Zealand, the Philippines, Thailand and the UK.

DBMG operates with minimal bonding requirements, with a current balance of less than 27% of DBMG's backlog (out of a total backlog of $528.5 million) as of December 31, 2018, and bonding is reduced as projects are billed, rather than upon completion. DBMG has limited its raw material cost exposure by securing fixed prices from mills at contract bid, as well as by utilizing its purchasing power as one of the largest domestic buyers of wide flange beams in the United States.

DBMG offers a variety of services to its customers which it believes enhances its ability to obtain and successfully complete projects. These services fall into six distinct groups: design-assist/design-build, pre-construction design and budgeting, steel management, fabrication, erection, and BIM:

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BIM: DBMG uses BIM on every project to manage its role efficiently. Additionally DBMG’s use of Steel Integrated Management Systems ("SIMS") in conjunction with BIM allows for real-time reporting on a project’s progress and an information-rich model review;

- Design-Assist/Design-Build: Using the latest technology and BIM, DBMG works to provide clients with cost-effective steel designs. The end result is turnkey-ready, structural steel solutions for its diverse client base;

- Pre-Construction Design and Budgeting: Clients who contact DBMG in the early stages of planning can receive a DBMG-performed analysis of the structure and cost breakdown. Both of these tools allow clients to accurately plan and budget for any upcoming project;

- Steel Management: Using DBMG’s proprietary SIMS, DBMG can track any piece of steel and instantly know its location. Additionally, DBMG can help clients manage steel subcontracts, providing clients with savings on raw steel purchases and giving them access to a variety of DBMG-approved subcontractors;

- Fabrication: Through its twelve fabrication shops in California, Arizona, Texas, Kansas, Georgia, Utah, South Carolina and Kentucky, DBMG has one of the highest fabrication capacities in the United States, with over 1.6 million square feet under roof and a maximum annual fabrication capacity of approximately 318,000 tons; and

- Erection: Named the top steel erector in the United States for 2007, 2008, 2011, and from 2013-2018 by Engineering News-Record, DBMG knows how to add value to its projects through the safe and efficient erection of steel structures.

SSMC provides turn-key steel fabrication and erection services with expertise in project management. Leveraging such strengths, SSMC uses its relationships with reliable subcontractors and erectors, along with state-of-the-art management systems, to deliver excellence to clients.
Aitken is a manufacturer of equipment used in the oil, gas, petrochemical and pipeline industries. Aitken supplies the following products both nationwide and internationally:

- Strainers: Temporary cone and basket strainers, tee-type strainers, vertical and horizontal permanent line strainers and fabricated duplex strainers;

- Measurement Equipment: Orifice meter tubes, orifice plates, orifice flanges, seal pots, flow nozzles, Venturi tubes, low loss tubes and straightening vanes; and

- Major Products: Spectacle blinds, paddle blinds, drip rings, bleed rings, and test inserts, ASME vessels, launchers and pipe spools.

PDC provides steel detailing, BIM modeling and BIM management services for industrial and infrastructure and commercial construction projects in Australia and North America.

- Steel Detailing: Utilizing industry leading technologies, PDC provides steel detailing services which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping;

- BIM Modeling: Through multidisciplinary teams, PDC creates highly accurate, scaled virtual models of each structural component. These independent models and data are integrated and standardized to produce a single 3D model simulation of the entire structure. This integrated model contains complete information for all functional requirements of a project, including procurement and logistics, financial modeling, claims and litigation, fabrication, construction support and asset management;

- BIM Management: PDC is an industry leading provider of BIM management consultancy services ("BIM Management"), with clients ranging from government, industry organizations and general construction contractors. BIM Management of all project participants' input, use and development of the applicable model is integral to ensuring that the model remains the single point of reference. PDC's BIM Management service includes the governing of process and workflow management, which is a collection of defined model uses, workflows, and modeling methods used to achieve specific, repeatable and reliable information results from the model. The way the model is created and shared, and the sequencing of its application, impacts the effective and efficient use of BIM for desired project outcomes and decision support; and

- Bridge Steel Detailing: Utilizing industry leading technologies, PDC, through its wholly owned subsidiary Candraft Detailing, provides steel detailing services for bridges which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping.

BDS provides steel and rebar detailing and BIM modeling services for commercial projects in Australia, New Zealand, North America and Europe.

- Steel Detailing: Utilizing industry leading technologies, BDS provides steel detailing services, including: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports, advance bill of material and piping;

- BIM modeling: Through multidisciplinary teams, BDS creates highly accurate, scaled virtual models of each structural component. These independent models and data are integrated and standardized to produce a single 3D model simulation of the entire structure. This integrated model contains complete information for all functional requirements of a project, including procurement and logistics, financial modeling, claims and litigation, fabrication, construction support and asset management; and

- Rebar Detailing: These services, including rebar detailing and estimating, are delivered by a staff experienced in rebar installation and familiar with the construction practices and constructibility issues that arise on project sites. Deliverables include: field placement/shop drawings, field and/or phone support, 2D and 3D modeling, connection sketches, bar listing in ASA format, DGN files, and complete rebar estimating.

GrayWolf provides services including maintenance, repair, and installation to a diverse range of end markets in order to provide high-quality outage, turnaround, and new installation services to customers. GrayWolf provides the following service types through its four major brands (Titan Contracting, Inco Services, Milco National Constructors and Titan Fabricators):

- Specialty mechanical contracting services: GrayWolf offers services including plant maintenance, specialty welding, equipment rigging, and mechanical construction to customers in the power, industrial, petrochemical, water treatment, and refining markets at a national level;

- Specialty construction solutions for processing markets: Customers in the pulp & paper, metals, mining & minerals, and petrochemical markets are able to receive specialized solutions including plant maintenance, process piping, equipment, and tank & vessel fabrication and erection that are catered to the needs and specifications of the customer’s industry through the Inco Services brand;

- Turnarounds, tank construction, and piping services: GrayWolf offers services including plant maintenance, specialty welding, piping systems, and tanks & vessels construction to the power, refining, petrochemical, and water treatment markets in the Midwest, Mid-Atlantic, and West Coast;

- Custom steel fabrication: GrayWolf offers engineering, design, modularization, and additional services to the heavy industrial markets in the Midwest and Gulf Coast;

Suppliers

DBMG currently purchases its steel from a variety of domestic and foreign steel producers but is not dependent on any one producer. During the year ended December 31, 2018, DBMG purchased approximately 50% of the total value of steel and steel components purchased from two domestic steel vendors. See Item 1A - Risk Factors - "Risks Related to the Construction segment" elsewhere in this document for discussion on DBMG’s reliance on suppliers of steel and steel components.

Sales and Distributions

DBMG obtains contracts through competitive bidding or negotiation, which generally are fixed-price, cost-plus, or unit cost arrangements. Bidding and negotiations require DBMG to estimate the costs of the project up front, with most projects typically lasting from one to 12 months. However, large and more complex projects can often last two years or more.

Marketing

Sales managers lead DBMG’s sales and marketing efforts. Each sales manager is primarily responsible for estimating sales and marketing efforts in defined geographic areas. In addition, DBMG employs full-time project estimators and chief estimators. DBMG’s sales representatives build and maintain relationships with general contractors, architects, engineers and other potential sources of business to identify potential new projects. DBMG generates future project reports to track the weekly progress of new opportunities. DBMG’s sales efforts are further supported by most of its executive officers and engineering personnel, who have substantial experience in the design, detailing, modeling, fabrication and erection of structural steel and heavy steel plate.

DBMG competes for new project opportunities through its relationships and interaction with its active and prospective customer base which provides valuable current market information and sales opportunities. In addition, DBMG is often contacted by governmental agencies in connection with public construction projects, and by large private-sector project owners, general contractors and engineering firms in connection with new building projects such as plants, warehouse and distribution centers, and other industrial and commercial facilities.

Upon selection of projects to bid or price, DBMG’s estimating division reviews and prepares projected costs of shop, field, detail drawing preparation and crane hours, steel and other raw materials, and other costs. With respect to bid projects, a formal bid is prepared detailing the specific services and materials DBMG plans to provide, along with payment terms and project completion timelines. Upon acceptance, DBMG’s bid proposal is finalized in a definitive contract.

Competition

The principal geographic and product markets DBMG serves are highly competitive, and this intense competition is expected to continue. DBMG competes with other contractors for commercial, industrial and specialty projects on a local, regional, or national basis. Continued service within these markets requires substantial resources and capital investment in equipment, technology and skilled personnel, and certain of DBMG's competitors have financial and operating resources greater than DBMG. Competition also places downward pressure on DBMG's contract prices and margins. The principal competitive factors within the industry are price, timeliness of project completion, quality, reputation, and the desire of customers to utilize specific contractors with whom they have favorable relationships and prior experience. While DBMG believes that it maintains a competitive advantage with respect to many of these factors, failure to continue to do so or to meet other competitive challenges could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Employees

As of December 31, 2018, DBMG employed approximately 3,358 people across the globe, including the U.S., Canada, Australia, New Zealand, India, Philippines, Thailand, and the UK. The number of persons DBMG employs on an hourly basis fluctuates directly in relation to the amount of business DBMG performs. Certain of the fabrication and erection personnel DBMG employs are represented by the United Steelworkers of America and the International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers Union. DBMG is a party to several separate collective bargaining agreements with these unions in certain of its current operating regions, which expire (if not renewed) at various times in the future. Approximately 38% of DBMG's employees are covered under various collective bargaining agreements. As of December 31, 2018, most of DBMG's collective bargaining agreements are subject to automatic annual or other renewal unless either party elects to terminate the agreement on the scheduled expiration date. DBMG considers its relationship with its employees to be satisfactory and, other than sporadic and unauthorized work stoppages of an immaterial nature, none of which have been related to its own labor relations, DBMG has not experienced a work stoppage or other labor disturbance.

DBMG strategically utilizes third-party fabrication and erection subcontractors on many of its projects and also subcontracts detailing services from time to time when its management determines that this would be economically beneficial (and/or when DBMG requires additional capacity for such services). DBMG's inability to engage fabrication, erection and detailing subcontractors on favorable terms could limit its ability to complete projects in a timely manner or compete for new projects, which could have a material adverse effect on its operations.

Legal, Environmental and Insurance

DBMG is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to DBMG or that the resolution of any such matter will not have a material adverse effect upon DBMG or the Company's business, consolidated financial position, results of operations or cash flows. Neither DBMG nor the Company believes that any of such pending claims and legal proceedings will have a material adverse effect on its (or the Company's) business, consolidated financial position, results of operations or cash flows.

DBMG's operations and properties are affected by numerous federal, state and local environmental protection laws and regulations, such as those governing discharges to air and water and the handling and disposal of solid and hazardous wastes. These laws and regulations have become increasingly stringent and compliance with these laws and regulations has become increasingly complex and costly. There can be no assurance that such laws and regulations or their interpretation will not change in a manner that could materially and adversely affect DBMG's operations. Certain environmental laws, such as CERCLA (the Comprehensive Environmental Response, Compensation, and Liability Act) and its state law counterparts, provide for strict and joint and several liability for investigation and remediation of spills and other releases of toxic and hazardous substances. These laws may apply to conditions at properties currently or formerly owned or operated by an entity or its predecessors, as well as to conditions at properties at which wastes or other contamination attributable to an entity or its predecessors come to be located. Although DBMG has not incurred any material environmental related liability in the past and believes that it is in material compliance with environmental laws, there can be no assurance that DBMG, or entities for which it may be responsible, will not incur such liability in connection with the investigation and remediation of facilities it currently operates (or formerly owned or operated) or other locations in a manner that could materially and adversely affect its operations.

DBMG maintains commercial general liability insurance in the amount of $1.0 million per occurrence and $2.0 million in the aggregate. In addition, DBMG maintains umbrella coverage limits of $50.0 million. DBMG also maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction of its facilities and property. DBM maintains professional liability insurance in the amount of $5.0 million for professional services related to our work in steel erection and fabrication projects. All policies are subject to various deductibles and coverage limitations. Although DBMG's management believes that its insurance is adequate for its present needs, there can be no assurance that it will be able to maintain adequate insurance at premium rates that management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Marine Services Segment (GMSL)

The Global Marine Group (GMSL) is an innovative worldwide market leader in offshore engineering and consists of three business units:

- Global Marine providing fiber optic cable solutions to the telecommunications and oil & gas markets;
- CWind delivering construction support and asset management services topside and subsea to the offshore renewables and utilities market; and
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Global Offshore delivering trenching and power cable lay and repair services to the offshore renewables & utilities market and oil & gas industry.

GMSL has two equity method investments in China, SB Submarine Systems and Huawei Marine. GMSL owns one of the world's largest offshore support vessel fleets. GMSL has installed over 300,000 kilometers of subsea cable.

Strategy Overview

GMSL aims to maintain its leading market position in the telecommunications maintenance segment and seeks opportunities to grow its installation activities in the three market sectors (telecommunications, offshore power, and oil and gas) while capitalizing on high market growth in the offshore power sector through expansion of its installation and maintenance services in that sector. In order to accomplish these goals, GMSL has developed a comprehensive strategy which includes:

- Developing opportunities in the offshore power market;
- Diversifying the business by pursuing growth within its three market segments (telecommunications, offshore power and oil & gas), which it believes will strengthen its quality of earnings and reduce exposure to one particular market segment;
- Retaining and building its leading position in telecommunications maintenance and installation;
- Working to develop convergence of its maintenance services across all three market segments; and
- Pursuing targeted mergers and acquisitions, equity investments, partnerships and opportunities to build a larger operating platform that can benefit from increased operating efficiencies.

GMSL has a highly experienced management team with a proven track record and has demonstrated the ability to enter new markets and generate returns for investors from its three business units.

Global Marine

Global Marine is a market leader in subsea fiber optic cable installation and maintenance solutions to the telecoms sector amongst others. Global Marine is recognized as a high quality, strategic partner with a successful track record across the industry. Global Marine has a long, well-established reputation in the telecommunications sector and is a leading provider of subsea services in the industry. It operates in a mature market and is the largest independent provider in the maintenance segment.

Global Marine provides vessels on standby to repair fiber optic telecommunications cables in defined geographic zones, and its maintenance business is provided through contracts with consortia of providers of global telecommunications services. Typically, Global Marine enters into five- to seven-year contracts to provide maintenance services to cable systems that are located in specific geographical areas. These contracts provide highly stable, predictable and recurring revenue and earnings. Additionally, Global Marine provides installation of cable systems, including route planning, mapping, route engineering, cable-laying, trenching and burial. Global Marine's installation business is project-based, with contracts typically lasting one to five months.

CWind

CWind is part of GMSL, delivering topside, splash zone and subsea engineering services, to the offshore renewables and utilities market. With experience at over 40 UK and European offshore wind farms, supporting over 12GW power generated by the offshore wind sector.

CWind demonstrates a commitment to innovation and is well-positioned to capitalize on the growth of the offshore alternative energy market in construction, as well as on-going operations and maintenance, with a strong presence in Northern Europe and Asia (especially China). CWind has developed its strategies to realize this opportunity.

Global Offshore

Global Offshore is part of GMSL, delivering the company's cable installation, repair and trenching services to the offshore renewables, utilities and oil & gas markets. Global Offshore has developed a reputation as a trusted partner, delivering pipeline, cable and umbilical projects, platform-to-platform connectivity and subsea services.

Global Offshore's primary activities for oil & gas include providing power from shore, enabling fiber-based communication between platforms and shore-based systems and installing permanent reservoir monitoring systems that allow customers to monitor subsea seismic data. The majority of its oil and gas business is contracted on a project-by-project basis with major energy producers or Tier I engineering, procurement and construction ("EPC") contractors.

Global Marine Group's 2018 track record

Notable GMSL announcements during the year include the following:

- January: Global Marine's contract with the SEAIOCMA: cable maintenance agreement extended by five years to end of 2022. The zone is serviced by Global Marine vessel Cable Retriever based in Subic Bay;
- January: CWind and International Ocean Vessel Technical Consultant form joint venture, CWind Taiwan;
- April: Complete Cable Care service with dedicated cable repair barge ASV Pioneer established;
- April: Contract awarded for Sub Sea Cable Replacement in Orkney Isles for Scottish & Southern Electricity Networks;
- May: Five-year Complete Cable Care framework signed with Transmission Capital Services;

- August: ROSPA Order of Distinction awarded following 19 consecutive gold awards for health & safety practices;
- August: Global Marine completes two offshore oil field communications contracts for Tampnet;
- September: Global Offshore delivers back-to-back projects in the North Sea for major oil and gas customers;
- September: Global Offshore to provide fast-response cable repair to Vattenfall's European portfolio in five year repair framework;
- October: ASV Pioneer sails for her maiden GMSL project;
- October: CWind Taiwan Completes Inaugural Contract at Yunlin Offshore Wind Farm;
- November: Global Offshore successfully installs export cable at Kincardine Floating Offshore Wind Farm
- December: Extension of NAZ (North America Zone) telecoms maintenance contract by two years to December 2026; and
- December: Global Offshore signed a contract with Vattenfall for the inter array cable installation, burial, testing and termination at the 72 turbine Kriegers Flak site in Denmark.

Services and/or Products

GMSL is a pioneer in the subsea cable industry, having laid the first subsea cable in the 1850s and installed the first transatlantic fiber optic cable (TAT-8) in 1988. GMSL is positioned as a global independent market leader in subsea cable installation and maintenance services and derives approximately 45% of its total revenue from long-term, recurring maintenance contracts. GMSL has started a new phase of growth through applying its capabilities to the rapidly expanding offshore power sector into which GMSL re-entered in November 2015 (see "CWind" above), while retaining a leading position in the telecommunications sector. GMSL has major offices in the United Kingdom and Singapore, with presence in Bermuda, Canada, China, Indonesia and the Philippines. See "Item 1A - Risk Factors - Risks Related to GMSL for further details. GMSL derives a significant amount of its revenues from sales to customers outside of the United States, which poses additional risks, including economic, political and other uncertainties.

Fleet Overview

GMSL operates one of the largest specialist cable laying fleets in the world, consisting of eight vessels (five owned, three operated through long-term leases) and 17 crew transfer vessels operated by its wholly-owned subsidiary, CWind, as of December 31, 2018. The average age of the GMSL fleet is 19 years and the CWind fleet is 4 years. Each cable vessel is equipped with specialist inspection, burial, and survey equipment. By providing oil and gas, offshore power, and telecommunications installation as well as telecommunications maintenance, GMSL can retain vessels throughout their asset lives by cascading them through different uses as they age, as older vessels can or should only be used to provide specified services. This provides a significant competitive advantage because GMSL can retain vessels for longer and reduce the frequency of capital expenditure requirements with a longer depreciation period. GMSL's fleet is operated by GMSL employees or long-term contractors.

Fleet Details

Vessels	Ownership	Lease Expiry	Age	Flag	Base Port
Maintenance - GMSL					
Innovator	DYVI Cableship 11 AS	May-25	23	UK	Victoria, Canada
Wave Sentinel	GMSL	N/A	23	UK	Portland, UK
Cable Retriever	ICPL	March-23	21	Singapore	Batangas, Philippines
Sovereign	GMSL	N/A	27	UK	Portland, UK
Installation - GMSL					
Networker	GMSL	N/A	19	Panama	Batam, Indonesia
CS Recorder	Maersk Supply Service UK	February-22	18	UK	Blyth, UK
Global Symphony	GMSL	N/A	7	UK	Montrose, UK
ASV Pioneer	ASV Pioneer Ltd	April-20	11	Singapore	Blyth, UK
Offshore - CWind					
Argocat	CWind Limited	N/A	8	UK	Maldon, UK
Alliance	50% CWind Limited	N/A	7	UK	Maldon, UK
Endeavour	CWind Limited	N/A	5	UK	Maldon, UK
Adventure	CWind Limited	N/A	5	UK	Maldon, UK
Fulmar	CWind Limited	N/A	4	UK	Colchester, UK
Artimus	CWind Limited	N/A	3	UK	Colchester, UK
Buzzard	CWind Limited	N/A	6	UK	London, UK
Challenger	CWind Limited	N/A	5	UK	Bideford, UK
Resolution	CWind Limited	N/A	5	UK	Southampton, UK
Sword	CWind Limited	N/A	4	UK	Ramsgate, UK
Spirit	CWind Limited	N/A	3	UK	Colchester, UK
Endurance	CWind Limited	N/A	5	UK	Maldon, UK
Tempest	CWind Limited	N/A	3	UK	Ramsgate, UK
Tornado	CWind Limited	N/A	3	UK	Ramsgate, UK
Typhoon TOW	CWind Limited	N/A	3	UK	Ramsgate, UK
Hurricane TOW	CWind Limited	N/A	3	UK	Ramsgate, UK
CWind Phantom	CWind Limited	N/A	3	UK	Maldon, UK

Product Research and Development

Over the years, GMSL has provided many important innovations to the subsea cable market. One such innovation was GEOCABLE, GMSL’s proprietary Geographical Information System (GIS), which GMSL believes to be the largest cable database in the market and was developed specifically to meet the needs of the cable industry. GEOCABLE is an important tool for any vendor planning subsea cable installation, and GMSL sells data from GEOCABLE to third-party customers.

In addition to GEOCABLE, GMSL also develops and owns (in a consortium with other industry participants) intellectual property associated with the Universal Joint, a product which easily and effectively links together cables from different manufacturers. The Universal Joint has gained such prevalence in the industry that new fiber optic cables may be certified to meet the specifications of the Universal Joint, which is a service provided by GMSL among others, so that any subsea cable manufacturer can ensure compatibility of its subsea cables with other existing subsea cables as well as with the standardized equipment on cable repair vessels. GMSL benefits from its sales of the Universal Joint, and proceeds from GMSL-sponsored training of jointing skills, but GMSL also enjoys the industry leadership and brand enhancement that come with the creation of an industry leading product.

Intellectual Property

GMSL is not dependent on any specific intellectual property, but it does vigorously protect its interests in its intellectual property and closely monitors industry changes.

Customers

GMSL's customer base is made up primarily of large, established companies. Contract lengths vary and are largely dependent on the type of services provided. Maintenance and repair contracts tend to be long-term, five- to seven-years, with a relatively high level of expected renewal rates, and the customer is typically a consortium of different cable owners such as national, regional and international telecommunication companies and others who have an ownership interest in the subsea cables covered by the maintenance contract. GMSL charges a standing fee for cost of vessels plus margin, paid in advance proportionally by each member, and an additional daily call out fee for repairs paid by the specific cable owner(s). Four maintenance vessels are engaged on GMSL's three current long-term telecommunications maintenance contracts with ACMA (Atlantic Cable Maintenance Agreement), SEAIOCMA (South East Asia and Indian Ocean Cable Maintenance Agreement), and NAZ (North American Zone). Installation contracts tend to be much shorter term (30-150 days), and the counterparty tends to be a single client. Contracts are typically bid for on a fixed-sum basis with an initial upfront payment plus subsequent installments providing working capital support. Due to the added complexity of cable installation as opposed to maintenance, GMSL generally realizes higher margins on its installation contracts in the offshore power and oil and gas sectors.

Sales and Distributions

In the telecommunications cable market, cable maintenance is most often accomplished by zone maintenance contracts in which a consortium of telecommunications operators or cable owners contract with a maintenance provider like GMSL, over a long-term period of approximately five to seven years. GMSL has three cable maintenance agreements, providing a steady, high-quality source of revenue. These maintenance contracts are usually re-awarded to incumbent providers unless there are significant performance issues, which may mean that GMSL will not be required to expend extra capital to retain these contracts, although no assurance can be given that GMSL will be able to renew any specific contract. GMSL constantly has a focused sales plan to build relationships with current and potential customers at regional and corporate offices and readily leverages Huawei Technologies' large sales organization.

Marketing

GMSL also has a focused sales and marketing plan to create relationships with major participants in the offshore power and oil and gas industries. Despite the prevailing low oil price market conditions, GMSL hopes to use its expertise in installing Permanent Reservoir Monitoring ("PRM") systems to forge new contacts with both the end users of PRM services, such as oil majors, and the PRM suppliers themselves. Additionally GMSL is pursuing a strategy of specialization in installing the small power and fiber optic cables that its competitors in the oil and gas and offshore power sectors find unprofitable and in which they lack installation experience.

Competition

GMSL is one of the few companies that provide subsea cable installation and maintenance services on a worldwide basis. GMSL competes for contracts with companies that have worldwide operations, as well as numerous others operating locally in various areas. There are a number of industry participants, mainly Asian based, who focus primarily on their countries of origin. Competition for GMSL's services historically has been based on vessel availability, location of or ability to deploy these vessels and associated subsea equipment, quality of service and price. The relative importance of these factors can vary depending on the customer or specific project as well as also over time based on the prevailing market conditions. The ability to develop, train and retain skilled engineering personnel is also an important competitive factor in GMSL's markets.

GMSL believes that its ability to provide a wide range of subsea cable installation and maintenance services in the telecommunications, oil and gas and offshore power sectors on a worldwide basis enables it to compete effectively in the industry in which it operates. However, in some cases involving projects that require less sophisticated vessel and subsea equipment, smaller companies may be able to bid for contracts at prices uneconomical to GMSL. In addition, GMSL's competitors generally have the capability to move their vessels to locations in which GMSL operates with relative ease, which may impact competition in the markets it serves.

Management and Employees

As of December 31, 2018, GMSL employed 460 people. GMSL's employees are not formally represented by any labor union or other trade organization, although the majority of the seafarers are members of an established trade union. GMSL considers relations with its employees to be excellent and it has never experienced a work stoppage or strike. GMSL regularly uses independent consultants and contractors to perform various professional services in different areas of the business, including in its installation and fleet operations and in certain administrative functions. Dick Fagerstal is a 2.4% interest holder, chairman and chief executive officer of Global Marine Holdings LLC, the parent holding company of Global Marine Holdings Limited, and he is the executive chairman of GMSL. Mr. Fagerstal previously served in an executive capacity for companies operating in various industries, including energy, marine services, and their related infrastructure.

Legal, Environmental and Insurance

GMSL is from time to time subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to GMSL or that the resolution of any such matter will not have a material adverse effect upon GMSL's business, consolidated financial position, results of operations or cash flows. GMSL does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its business, consolidated financial position, results of operations or cash flows.

GMSL has comprehensive insurance coverage including protection and indemnity, hull and machinery, war risk, and property insurances, director and officers liability insurance, contract warranty insurance for the maintenance contracts, and all other necessary corporate insurances. GMSL's liability is capped and insured under each of its installation contracts.

Energy Segment (American Natural Gas)

ANG is a premier retailer of compressed natural gas ("CNG") that designs, builds, owns, operates and maintains natural gas fueling stations for the transportation industry. ANG's principal business is supplying CNG for light-, medium- and heavy-duty vehicles.

ANG focuses its efforts on customers in a variety of markets, including heavy-duty trucking, airports, refuse, industrial, institutional energy users and government fleets. ANG seeks to retain its customers by offering state-of-the-art fueling stations with exemplary service levels.

Market for Natural Gas as an Alternative Fuel for Vehicles

As of December 31, 2018, the U.S. Department of Energy estimates that there were approximately 1,683 CNG fueling stations in the United States and over 175,000 natural gas vehicles on American roads. This includes approximately 39,500 heavy-duty vehicles (such as tractors, refuse trucks and buses), 25,800 medium-duty vehicles (such as delivery vans and shuttles) and 87,000 light-duty vehicles (such as passenger cars, sport utility vehicles, trucks and vans).

ANG believes that natural gas is an attractive alternative to gasoline and diesel for use as a vehicle fuel in the United States as it is plentiful, domestically produced, cleaner and generally cheaper than gasoline or diesel. Historically, oil, gasoline, and diesel prices have been highly volatile, while natural gas prices have generally been stable and lower than the cost of oil, gasoline and diesel on an energy equivalent basis. ANG also expects increasingly stringent air quality regulations, expanding initiatives by fleet operators to lower greenhouse gas emissions and increase fuel diversity and additional regulations mandating low carbon fuels, all of which supports increased market adoption of natural gas as an alternative to gasoline and diesel as a vehicle fuel. ANG believes these factors support current opportunities to market natural gas as a vehicle fuel in the United States.

Benefits of Natural Gas Fuel

Domestic and Plentiful Supply: Technological advances in natural gas drilling and production have unlocked vast natural gas reserves. The U.S. is now the number one producer of natural gas in the world, with proven, abundant and growing reserves of natural gas.

Less Expensive: Due to the abundance of natural gas, the cost of natural gas in the U.S. is less than the cost of crude oil, on an energy equivalent basis.

ANG believes that natural gas used as a transportation fuel will remain cheaper than gasoline and diesel for the foreseeable future. In addition, because the price of the commodity (natural gas) makes up a smaller portion of the cost of a gasoline gallon equivalent (GGE) of CNG relative to the commodity portion of the cost of gallon of diesel or gasoline, the price of CNG is less sensitive to increases in the underlying commodity cost.

Cleaner: Natural gas contains less carbon than any other fossil fuel and thus, produces fewer carbon dioxide emissions when burned. The California Air Resources Board ("CARB") has concluded that a CNG fueled vehicle emits 20 to 29 percent fewer greenhouse gas ("GHG") emissions than a comparable gasoline or diesel-fueled vehicle on a well-to-wheel basis. Additionally, a study from Argonne National Laboratory, a research laboratory operated by the University of Chicago for the U.S. Department of Energy, indicates that natural gas vehicles produce at least 13 to 21 percent fewer GHG emissions than comparable gasoline and diesel-fueled vehicles.

The newest natural gas engines with Near-Zero or "Zero Emissions Equivalent" – technology produces 90% fewer NOx emissions than the current standard. In fact, the cleanest heavy-duty truck engine in the world is powered by natural gas. And when fueled with renewable natural gas, it has up to 115% fewer greenhouse gas emissions than diesel counterparts well-to-wheel.

Safer: As reported by NGV America, CNG is relatively safer than gasoline and diesel because it dissipates into the air when spilled or in the event of a vehicle accident. When released, CNG is less combustible than gasoline or diesel as it ignites only at relatively high temperatures. The fuel tanks and systems used in natural gas vehicles are subjected to a number of federally required safety tests, such as fire, environmental hazard, burst pressures, and crash testing, according to the U.S. Department of Transportation National Highway Traffic Safety Administration. In addition, CNG is stored in above ground tanks, thus reducing the risk of soil or groundwater contamination. Currently, over 175,000 vehicles in the U.S. and more than 23.0 million worldwide, fuel safely with natural gas.

Natural Gas Vehicles

Natural gas vehicles use internal combustion engines similar to those used in gasoline or diesel powered vehicles. A natural gas vehicle uses sealed storage cylinders to hold CNG, specially designed fuel lines to deliver natural gas to the engine, and an engine tuned to run on natural gas. Natural gas fuels have higher octane content than gasoline or diesel, and the acceleration and other performance characteristics of natural gas vehicles are similar to those of gasoline or diesel powered vehicles of the same weight and engine class. Natural gas vehicles running on CNG are refueled using a hose and nozzle to create an airtight seal with the gas tank. For heavy-duty vehicles, spark ignited natural gas vehicles have proven to operate more quietly than diesel powered vehicles. Natural gas vehicles typically cost more than gasoline or diesel powered vehicles, primarily due to the higher cost of the storage systems that hold the CNG.

Virtually any car, truck, bus or other vehicle is capable of being manufactured or modified to run on natural gas. These vehicles include long-haul tractors, refuse trucks, regional tractors, transit buses, cement trucks, delivery trucks, vocational work trucks, school buses, shuttles, passenger sedans, pickup trucks and cargo and passenger vans. ANG expects that additional models and types of natural gas vehicles will become available as natural gas becomes more widely accepted as a vehicle fuel in the U.S.

Products and Services

CNG Sales: ANG sells CNG through fueling stations located on properties owned or leased by ANG. At these CNG fueling stations, ANG procures natural gas from local utilities or third-party marketers under standard, floating-rate or locked-in rate arrangements and then compresses and dispenses it into customers vehicles. ANG's CNG fueling station sales are made primarily through contracts with customers. Under these contracts, pricing is principally determined on a cost-plus basis, which is calculated by adding a margin to the utility price for natural gas. As a result, CNG total sales revenues increase or decrease as a result of an increase or decrease in the price of natural gas. The balance of ANG’s CNG fueling station sales are public sales based on prevailing market conditions.

O&M Services: ANG performs operate and maintain ("O&M") services for CNG stations that are owned by their customers. For these services, ANG generally charges either a monthly or per-GGE fee or time and material fee based on the volume of CNG dispensed at the station and the customers' goals and objectives.

Site Development: ANG builds state-of-the-art fueling stations, either serving as general contractor or supervising qualified third-party contractors, for themselves or their customers. ANG has also acquired existing stations (that ANG did not build) from third parties. Equipment for a CNG station typically consists of dryers, compressors, dispensers and storage tanks.

Thirty-one of ANG’s fueling stations have separate public access areas for retail customers. The fill rate at each of the public stations has comparable dispensing rates equivalent to traditional gasoline and diesel fueling stations.

Sales and Marketing

ANG focuses its sales and marketing efforts within the continental United States and targets such efforts primarily through direct sales. ANG’s sales and marketing group stays informed of proposed and newly adopted regulations in order to provide education on the value of natural gas as a vehicle fuel to current and potential customers.

Key Markets and Customers

ANG targets customers in a variety of markets, such as trucking, airports, refuse, public transit and food and beverage distributors. In 2018, approximately 71% of ANG's revenues from CNG sales came from customers with multi-year contracts based on committed fueling volumes.

Trucking and Food and Beverage Distributors: ANG believes that heavy-duty trucking represents one of the greatest opportunities for natural gas to be used as a vehicle fuel in the United States. Fleets with high-mileage trucks consume significant amounts of fuel and can benefit from the lower cost of natural gas. A number of shippers, manufacturers, retailers and other truck fleet operators have started to adopt natural gas fueled trucks to move their freight.

Corporate Information; Acquisitions and Divestitures

ANG was originally formed in 2011. In August 2014, HC2 acquired a 51% interest in ANG. In October 2014, ANG acquired Northville Natural Gas, which owned three stations in Indiana. In May 2016 ANG acquired Southwestern Energy NGV Services, LLC, which included two stations in Arkansas. In September 2016 ANG purchased the assets of American CNG, Inc. and K&K SWD #1, LLC, which was comprised of one station in Arkansas. In December 2016 ANG acquired Questar Fueling Company and Constellation CNG, LLC. These acquisitions further expanded ANG's network by adding 17 stations in Arizona, California, Utah, Colorado, Texas, Kansas, Indiana and Ohio.

ANG intends to continue to pursue additional acquisitions, divestitures, partnerships and investments as ANG becomes aware of opportunities that it believes will increase its competitive advantage, take advantage of industry developments, or enhance their market position.

Tax Incentives

From October 2012 through December 2017, ANG has been eligible to receive the Alternative Fuels Excise Tax Credit ("AFETC") (f/k/a VETC), of $0.50 per GGE of CNG sold as vehicle fuel. In addition, other U.S. federal and state government tax incentives are available to offset the cost of acquiring natural gas vehicles, converting vehicles to use natural gas or construct natural gas fueling stations. As of the date of this filing, the U.S. Congress did pass its omnibus budget for 2019, however, allocations to the programs remain uncertain.

Grant Programs

ANG continues to seek out and apply for, and help its fleet customers apply for federal, state and regional grant programs. These programs provide funding for natural gas vehicle conversions and purchases, natural gas fueling station construction and vehicle fuel sold.

Competition

The market for vehicle fuels is highly competitive. The biggest competition for CNG is gasoline and diesel, as the vast majority of vehicles in the United States are powered by gasoline and diesel. Many of the producers and sellers of gasoline and diesel fuels are large entities that have significantly greater resources than ANG possesses. ANG also competes with suppliers of other alternative vehicle fuels, including ethanol, biodiesel and hydrogen fuels, as well as providers of hybrid and electric vehicles. New technologies and improvements to existing technologies may make alternatives other than natural gas more attractive to the market, or may slow the development of the market for natural gas as a vehicle fuel if such advances are made with respect to oil and gas usage.

A significant number of established businesses, including oil and gas companies, alternative vehicle and alternative fuel companies, natural gas utilities and their affiliates, industrial gas companies, truck stop and fuel station operators, fuel providers and other organizations have entered or are planning to enter the market for natural gas and other alternatives for use as vehicle fuels. Many of these current and potential competitors have substantially greater financial, marketing, research and other resources than ANG has. Several natural gas utilities and their affiliates own and operate public access CNG stations that compete with ANG’s stations.

Government Regulation and Environmental Matters

Certain aspects of ANG’s operations are subject to regulation under federal, state, local and foreign laws. If ANG were to violate these laws or if the laws were to change, it could have a material adverse effect on ANG’s business, financial condition and results of operations. Regulations that significantly affect ANG’s operations are described below.

CNG Stations: To construct a CNG fueling station, ANG must satisfy permitting and other requirements and either ANG or a third-party contractor must be licensed as a general engineering contractor. Each CNG fueling station must be constructed in accordance with federal, state, NFPA-52 and local regulations pertaining to station design, environmental health, accidental release prevention, above-ground storage tanks, hazardous waste and hazardous materials. ANG is also required to register with certain state agencies as a retailer/wholesaler of CNG.

ANG believes it is in material compliance with environmental laws and regulations and other known regulatory requirements. Compliance with these regulations has not had a material effect on ANG’s capital expenditures, earnings or competitive position; however, new laws or regulations or amendments to existing laws or regulations to make them more stringent, such as more rigorous air emissions requirements, proposals to make waste materials subject to more stringent and costly handling, disposal and clean-up requirements or regulations of greenhouse gas emissions, could require ANG to undertake significant capital expenditures in the future.

Telecommunications Segment (PTGi-International Carrier Services, Inc.)

ICS provides customers with internet-protocol-based and time-division multiplexing ("TDM") access for the transport of long-distance voice minutes.

Network

ICS operates a global telecommunications network consisting of domestic switching and related peripheral equipment, and carrier-grade routers and switches for Internet and circuit-based services. To ensure high-quality communications services, ICS’s network employs digital switching and fiber optic technologies, incorporates the use of Voice-over-Internet Protocol protocols and SS7/C7 signaling, and is supported by comprehensive network monitoring and technical support services.

Switching Systems

ICS’s network makes use of a domestic switch system, Internet routers and media gateways in the U.S. and points of presence throughout the world via third party interconnections.

Foreign Carrier Agreements

In selected countries where competition with the traditional Post Telegraph and Telecommunications companies ("PTTs") is limited, ICS has entered into foreign carrier agreements with PTTs or other service providers that permit ICS to provide traffic into, and receive return traffic from, these countries.

Network Management and Control

ICS owns and operates network management systems in Herndon, Virginia which are used to monitor and control ICS's switching systems, global data network, and other digital transmission equipment used in ICS's network. Additional network monitoring, network management, and traffic management services are supported from ICS's contingent Network Management Center located in Guatemala City, Guatemala. The network management control centers are constantly online.

Sales and Marketing

ICS markets its services through a variety of sales channels, as summarized below:

- Trade Shows: ICS attends industry trade shows around the globe throughout the year. At each trade show ICS markets to both existing and potential new customers through prearranged meetings, social gatherings and networking; and

- Business Development: ICS's world class sales team focuses on developing ICS’s business potential around the globe through ongoing communication and face-to-face meetings.

Management Information and Billing Systems

ICS operates management information, network and customer billing systems supporting the functions of network and traffic management, customer service and customer billing. For financial reporting, ICS consolidates information from each of ICS's markets into a single database.

ICS believes that its financial reporting and billing systems are generally adequate to meet its business needs. However, in the future, ICS may determine that it needs to invest additional capital to purchase hardware and software, license more specialized software and increase its capacity.

Competition

Long Distance: ICS faces significant competition as it attempts to win the business of other telecommunications carriers and resellers. ICS competes on the basis of price, service quality, financial strength, relationship and presence. Sales of wholesale long-distance voice minutes are generated by connecting one telecommunications operator to another and charging a fee to do so.

Over-the-top ("OTT"): OTT applications, such as WhatsApp, Skype, and FaceTime, continue to impact ICS’s long distance business model. There can be no assurance that: (1) the current declines in the long-distance business globally driven by OTT application will not increase; or (2) ICS’s business will not be impacted by the increased consumer adoption of OTT applications globally.

Government Regulation

ICS is subject to varying degrees of regulation in each of the jurisdictions in which it operates. Local laws and regulations, and the interpretation of such laws and regulations, differ among those jurisdictions. There can be no assurance that: (1) future regulatory, judicial and legislative changes will not have a material adverse effect on ICS; (2) domestic or international regulators or third parties will not raise material issues with regard to its compliance or noncompliance with applicable regulations; or (3) regulatory activities will not have a material adverse effect on it.

Regulation impacting the telecommunications industry continues to change rapidly in many jurisdictions. Privacy-related laws and regulations, such as the EU’s GDPR, as well as privatization, deregulation, changes in regulation, consolidation, and technological change have had, and will continue to have, significant effects on the industry. Although we believe that continuing deregulation with respect to portions of the telecommunications industry will create opportunities for firms such as us, there can be no assurance that deregulation and changes in regulation will be implemented in a manner that would benefit ICS.

The regulatory frameworks in certain jurisdictions in which we provide services as of December 31, 2018 are described below:

United States

In the United States, ICS's services are subject to the provisions of the Communications Act of 1934, as amended (the "Communications Act"), and other federal laws, rules, and orders of the Federal Communications Commission ("FCC") regulations, and the applicable laws and regulations of the various states.

ICS's interstate telecommunications services are subject to various specific common carrier telecommunications requirements set forth in the Communications Act and the FCC’s rules and orders, including operating, reporting and fee requirements. Both federal and state regulatory agencies have broad authority to impose monetary and other penalties on ICS for violations of regulatory requirements.

International Service Regulation

The FCC has jurisdiction over common carrier services linking points in the U.S. to points in other countries, and ICS provides such services. Providers of such international common carrier services must obtain authority from the FCC under Section 214 of the Communications Act. ICS has obtained the authorizations required to use, on a facilities-based and resale basis, various transmission media for the provision of international switched services and international private line services on a non-dominant carrier basis. The FCC is considering a number of possible changes to its rules governing international common carriers. We cannot predict how the FCC will resolve those issues or how its decisions will affect ICS's international business. FCC rules permit non-dominant carriers such as ICS to offer some services on a detariffed basis, where competition can provide consumers with lower rates and choices among carriers and services.

On November 29, 2012, the FCC released an order removing, for all U.S.-international routes other than Cuba, the requirement for facilities-based U.S. carriers, like ICS, with operating agreements with dominant foreign carriers, to abide by the FCC’s International Settlements Policy by following uniform accounting rates, an even split in settlement rates, and proportionate return of traffic, thereby allowing carriers to negotiate market-based arrangements on those routes. The November 29, 2012 order also adopted a requirement for U.S. carriers to provide information to the FCC about any above-benchmark settlement rates on an as-needed basis in connection with an investigation or competition problems on selected routes or review of high consumer rates on either multiple or selected routes. ICS may take advantage of these more flexible arrangements with non-dominant foreign carriers, and the greater pricing flexibility that may result, but ICS may also face greater price competition from other international service carriers. On November 9, 2015, the FCC issued a Public Notice indicating that it has begun the process of including Cuba within the liberalized settlements policy established in 2012. In January 2016 the FCC’s International Bureau removed Cuba from the "exclusion list" applicable to international Section 214 authorizations, which is intended to facilitate the provision of facilities-based competition between the United States and Cuba. In February 2016, the FCC formally proposed to remove certain non-discrimination requirements for traffic along the US-Cuba route. We cannot predict the actions the FCC will take in the future or their potential effect on international termination rates, costs, or revenues.

Domestic Service Regulation

With respect to ICS's domestic U.S. telecommunications services, ICS is considered a non-dominant interstate carrier subject to regulation by the FCC. FCC rules provide ICS significant authority to initiate or expand its domestic interstate operations, but ICS is required to obtain FCC approval to assume control of another telecommunications carrier or its assets, to transfer control of ICS's operations to another entity, or to discontinue service. ICS is also required to file various reports and pay various fees and assessments to the FCC and various state commissions. Among other things, interstate common carriers must offer service on a nondiscriminatory basis at just and reasonable rates. The FCC has jurisdiction to hear complaints regarding ICS's compliance or non-compliance with these and other requirements of the Communications Act and the FCC’s rules. Among other regulations, ICS is subject to the Communications Assistance for Law Enforcement Act ("CALEA") and associated FCC regulations which require telecommunications carriers to configure their networks to facilitate law enforcement authorities to perform electronic surveillance.

On November 8, 2013, the FCC released an order related to the completion of calls to rural areas. The order applies recordkeeping, retention and reporting obligations to certain providers of retail long-distance voice service. The rules require those providers to collect and retain information on long-distance call attempts such as, but not limited to, the called number, the date and time of the call, and the use of an intermediate provider. The order also prohibits false audible ringing (the premature triggering of audible ring tones to the caller before the call setup request has reached the terminating service provider). On April 17, 2018, the FCC issued a ruling that eliminated the obligation of providers to report data to the FCC regarding rural call completion, but kept the obligation on carriers to monitor rural call completion and retain records regarding the performance of intermediate carriers. While ICS is not directly subject to these rules, ICS may function as an intermediate provider within the meaning of these rules, which may require ICS to provide information to its customers regarding calls that it carries on their behalf. In addition, in February 2018, the "Improving Rural Call Quality and Reliability Act of 2017" became law. This statute added new Section 262 to the Communications Act of 1934, which requires intermediate providers (such as ICS) to register with the FCC. The FCC promulgated rules implementing this registration requirement in August 2018. These rules will take effect upon approval by the Office of Management and Budget, which approval was pending as of December 31, 2018. The new law also directs the FCC to establish service quality standards for voice transmission services provided by intermediate carriers, such as ICS. The FCC’s rulemaking to establish such service quality rules is pending. We cannot predict whether the rules the FCC ultimately adopts will materially negatively affect ICS’s operations.

Interstate and international telecommunications carriers are required to contribute to the federal Universal Service Fund ("USF"). Carriers providing wholesale telecommunications services are not required to contribute with respect to services sold to customers that provide a written certification that the customers themselves will make the required contributions. If the FCC or the USF Administrator were to determine that the USF reporting for the Company, including ICS, is not accurate or in compliance with FCC rules, ICS could be subject to additional contributions, as well as to monetary fines and penalties. In addition, the FCC is considering revising its USF contribution mechanisms and the services considered when calculating the contribution. ICS cannot predict the outcome of these proceedings or their potential effect on ICS's contribution obligations. Some changes to the USF under consideration by the FCC may affect certain entities more than others, and we may be disadvantaged as compared to ICS's competitors as a result of FCC decisions regarding USF. In addition, the FCC may extend the obligation to contribute to the USF to certain services that ICS offers but that are not currently assessed USF contributions.

FCC rules require providers that originate interstate or intrastate traffic on or destined for the public switched telephone network ("PSTN") to transmit the telephone number associated with the calling party to the next provider in the call path. Intermediate providers, such as ICS, must pass calling party number ("CPN") or charge number ("CN") signaling information they receive from other providers unaltered, to subsequent providers in the call path. While ICS believes that it is in compliance with this rule, to the extent that it passes traffic that does not have appropriate CPN or CN information, ICS could be subject to fines, cease and desist orders, or other penalties.

Insurance Segment (Continental Insurance Group Ltd.)

On December 24, 2015, we completed the acquisitions of United Teacher Associates Insurance Company ("UTA") and Continental General Insurance Company ("CGI") (together the "Insurance Company") for aggregate consideration of approximately $18.6 million. The operations of the Insurance Company were consolidated into the insurance operating segment, CIG.

The Insurance Company filed applications with the Ohio Department of Insurance ("ODOI") and the Texas Department of Insurance ("TDOI") to redomesticate CGI from Ohio to Texas. In conjunction with the redomestication, the Insurance Company filed a request with the TDOI to merge UTA and CGI (with CGI as the surviving entity), which was approved as of December 31, 2016.

On August 9, 2018, CGI completed the acquisition of KMG America Corporation ("KMG"), the parent company of Kanawha Insurance Company ("KIC"), Humana’s long-term care insurance subsidiary for consideration of ten thousand dollars. As a condition to the approval of the acquisition by the South Carolina Department of Insurance, CGI agreed to redomesticate KIC from South Carolina to Texas and simultaneously merge KIC with and into CGI, with CGI surviving (the "Merger"), and to maintain an authorized control level risk-based capital ratio of no less than 450 percent for two years following the closing. Similarly, CGI agreed with the Texas Commissioner of Insurance that it will maintain a total adjusted capital to authorized control risk-based capital level of no less than 450 percent for two years from the date of the Merger and of no less than 400 percent for the subsequent three years.

Strategy

CIG currently provides long-term care, life, annuity, and other accident and health coverage to approximately 145,000 individuals through CGI. The benefits provided by CIG's insurance operations help protect policy and certificate holders from the financial hardships associated with illness, injury, loss of life, or income discontinuation.

CIG has a concentrated focus on long-term care insurance and is committed to the continued delivery to its policy and certificate holders of the best-practices services established by CIG's insurance operations to its policy and certificate holders. Through investments in technology, a commitment to attracting, developing and retaining best-in-class insurance professionals, a dedication to continuing process improvements, and a focus on strategic growth, we believe CIG is well equipped to maintain and improve the level of service provided to its customers and assume a leading role in the long-term care industry.

CIG’s plan is to leverage its existing platform and industry expertise to identify strategic growth opportunities for managing closed blocks of long-term care business. Growth opportunities are expected to come from:

- Future acquisitions of long-term care businesses and/or closed blocks of long-term care policies;
- Reinsurance arrangements; and
- Third party administration arrangements.

Products

Long-Term Care Insurance

CIG's long-term care insurance products pay a benefit that is either a specified daily indemnity amount or reimbursement of actual charges up to a daily maximum for long-term care services provided in the insured’s home or in assisted living or nursing facilities. Benefits begin after a waiting period, usually 90 days or less, and are generally paid for a period of three years, six years, or the policy holder's lifetime.

Substantially all of the in-force long-term care insurance policies were sold after 1995, with all sales then being discontinued in January 2010. Policies were issued in all states except for New York, with Texas being the largest issue state with approximately 20% of the business. The existing block of policies includes both individual and group products, but all individuals were individually underwritten. CIG's long-term care insurance products were sold on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval. As part of CIG's strategy for its long-term care insurance business, management has been implementing, and expects to continue to pursue, significant premium rate increases on its blocks of business as actuarially justified. Premium rates vary by age and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, and investment yields. CIG develops its assumptions based on its own claims and persistency experience and published industry tables.

Life Insurance and Annuities

CIG's life insurance products include Traditional, Term, Universal, and Interest Sensitive Life Insurance. Its annuity products include Flexible and Single Premium Deferred Annuities. CIG's life insurance business provides a personal financial safety net for individuals and their families. These products provide protection against financial hardship after the death of an insured. Some of these products also offer a savings element that can help accumulate funds to meet future financial needs. Annuities are long-term retirement saving instruments that benefit from income accruing on a tax-deferred basis. The issuer of the annuity collects premiums, credits interest or earnings on the policy and pays out a benefit upon death, surrender or annuitization. All life insurance and annuity products are closed to new business. The life insurance products were issued with both full and simplified underwriting.

Other Accident & Health

CIG’s accident and health products, other than Long-Term Care Insurance, include accidental death, accidental death & dismemberment disability income, hospital expense, hospital indemnity, and major medical individual insurance policies. These products provide from partial reimbursement to full reimbursement of covered medical and related expenses. All products were sold prior to the introduction of the Affordable Care Act and these product lines are closed to new business. If not otherwise exempted from the requirements of the Affordable Care Act, the policies are grandfathered under the Affordable Care Act and not subject to the requirements of the Affordable Care Act. A limited number of these policies were guaranteed issued, although the majority of the policies were issued with individual underwriting.

Customers

CIG's long-term care insurance policies were marketed and sold to individuals between 1986 and 2010 for the purpose of providing defined levels of protection against the significant and escalating costs of long-term care services provided in the insured’s home or in assisted living or nursing facilities. Though CIG no longer actively markets new long-term care insurance products, it continues to service and receive net renewal premiums on its in-force block of approximately 145,000 lives.

Employees and Operations

As of December 31, 2018, CIG employed 123 people full-time, the majority of whom are employed on a salaried basis with some on an hourly basis. Besides eight remote employees working in various states, all other employees work out of the home office located in Austin, Texas. CIG considers its relations with its employees to be satisfactory and has never experienced a work stoppage or other labor disturbance. All operating centers maintain a cost effective and efficient operating model.

Transition Services and Administrative Services Agreement

Upon the purchase of the Insurance Company on December 24, 2015 a transition services agreement (the "Transition Services Agreement") was entered into with the prior owner, Great American Financial Resources ("Great American") in Cincinnati, Ohio, pursuant to which Great American agreed to continue to perform certain business functions such as IT, finance, investment, and accounting for a period of 12 to 16 months to allow us time to secure the resources needed to take over those duties. IT, finance, investment and accounting roles were filled and/or outsourced in fiscal year 2016, and services received under the Transition Services Agreement ended on March 31, 2017. Simultaneously, an Administrative Services Agreement (the "Administrative Services Agreement") was entered into with Great American, pursuant to which Great American Life Insurance Company ("GALIC") agreed to continue to administer the Insurance Company’s life and annuity businesses for a period of no less than five years.

The KIC acquisition included the assumption of numerous existing, or the establishment of new, third party administrator (TPA) agreements to continue to provide services and perform processes critical (actuarial, claims processing, rate increase work etc.) to KIC’s ability to continue producing outputs. All of KIC’s insurance contracts are administered by these TPAs.

Reinsurance

CIG reinsures a significant portion of its insurance business with unaffiliated reinsurers. In a reinsurance transaction, a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium. CIG participates in reinsurance activities in order to minimize exposure to significant risks, limit losses, and provide additional capacity for future growth. CIG also obtains reinsurance to meet certain capital requirements.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse CIG for the ceded amount in the event a claim is paid. Cessions under reinsurance agreements do not discharge CIG's obligations as the primary insurer. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. CIG's amounts recoverable from reinsurers represent receivables from and/or reserves ceded to reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the gross liability associated with the reinsured policy.

Reserves for Policy Contracts and Benefits

The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding policies. These reserves are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates, and methods of valuation required for statutory accounting.

CIG calculates reserves in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which calculations can differ from those specified by the laws of the various states and reported in the statutory financial statements. These differences result from the use of mortality and morbidity tables and interest assumptions which CIG believes are more representative of the expected experience for these policies than those required for statutory accounting purposes and also result from differences in actuarial reserving methods.

The assumptions CIG uses to calculate its reserves are intended to represent an estimate of experience for the period that policy benefits are payable. If actual experience is more favorable than our reserve assumptions, then reserves should be adequate to provide for future benefits and expenses. If experience is less favorable than the reserve assumptions, additional reserves may be required. The key experience assumptions include claim incidence rates, claim resolution rates, mortality and morbidity rates, policy persistency, interest rates, crediting spreads, and premium rate increases. CIG periodically reviews its experience and updates its policy reserves and reserves for all claims incurred, as it believes appropriate.

The statements of income include the annual change in reserves for future policy and contract benefits. The change reflects a normal accretion for premium payments and interest buildup and decreases for policy terminations such as lapses, deaths, and benefit payments. If policy reserves using best estimate assumptions as of the date of a test for loss recognition are higher than existing policy reserves net of any deferred acquisition costs, the increase in reserves necessary to recognize the deficiency is also included in the change in reserves for future policy and contract benefits.

For further discussion of reserves, refer to "Risk Factors" contained herein in Item 1A, "Critical Accounting Estimates" and the discussion of segment operating results included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Note 2. Summary of Significant Accounting Policies, of the "Notes to Consolidated Financial Statements".

Investments

CIG manages its cash and invested assets using an approach that is intended to balance quality, diversification, asset/liability matching, liquidity needs and investment return. The goals of the investment process are to optimize after-tax, risk-adjusted investment income and after-tax, risk-adjusted total return while managing the assets and liabilities on a cash flow and duration basis. CIG’s liabilities are primarily supported by investments in investment grade, fixed maturity securities reflected on the Company’s consolidated balance sheets.

The Company filed an Investment Management Agreement Form D application with the TDOI to appoint CIG, an affiliate, as investment manager effective January 1, 2017. The TDOI issued a "no action" letter dated December 19, 2016 with regard to the Form D application.

Regulation

CIG's insurance company subsidiary is subject to regulations in the jurisdictions where it does business. In general, the insurance laws of the various states establish regulatory agencies with broad administrative powers governing, among other things, premium rates, solvency standards, licensing of insurers, agents and brokers, trade practices, forms of policies, maintenance of specified reserves and capital for the protection of policyholders, deposits of securities for the benefit of policyholders, investment activities and relationships between insurance subsidiaries and their parents and affiliates. Material transactions between insurance subsidiaries and their parents and affiliates generally must receive prior approval of the applicable insurance regulatory authorities and be disclosed. In addition, while differing from state to state, these regulations typically restrict the maximum amount of dividends that may be paid by an insurer to its stockholders in any twelve-month period without advance regulatory approval. Such limitations are generally based on net earnings or statutory surplus.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), among other things, established a Federal Insurance Office ("FIO") within the U.S. Treasury. The Dodd-Frank Act requires the promulgation of regulations for the FIO to carry out its mandate to focus on systemic risk oversight. The FIO gathered information regarding the insurance industry and submitted a report to Congress in December 2013. The report concluded that a hybrid approach to regulation, involving a combination of state and federal government action, could improve the U.S. insurance system by attaining uniformity, efficiency and consistency, particularly with respect to solvency and market conduct regulation. The FIO has issued additional reports since that time on various aspects of the insurance sector and insurance regulation. Legislative proposals currently before Congress, as well as a 2017 report from the Trump Administration, call for refinements of the FIO’s mission including more coordination with state regulators. We cannot predict the extent to which any of these matters might result in changes to the current state-based system of insurance industry regulation or ultimately impact the Company’s operations.

Most states have created insurance guaranty associations that assess solvent insurers to pay claims of insurance companies that become insolvent. Financial impact of annual guaranty assessments for CGI has not been material.

Competition

CIG competes with financial services firms with respect to the acquisition of insurance companies and/or blocks of insurance businesses through merger, stock purchase, or reinsurance transactions or otherwise.

Life Sciences Segment (Pansend Life Sciences, LLC)

Pansend focuses on the development of innovative technologies and products in the healthcare industry. As of December 31, 2018, Pansend has invested in four companies:

- R2 Dermatology, Incorporated ("R2"), a company developing medical devices for the treatment of aesthetic and medical skin conditions. In July 2017, R2 received notification from the United States Food and Drug Administration of market clearance of R2's second generation device, the R2 Dermal Cooling System. The R2 Dermal Cooling System is a cryosurgical instrument intended for use in dermatologic procedures for the removal of benign lesions of the skin, based on exclusive licensing rights to a novel technology developed at Massachusetts General Hospital and Harvard Medical School;

- Genovel Orthopedics, Inc. ("Genovel"), a company developing novel partial and total knee replacements for the treatment of osteoarthritis of the knee based on patent-protected technology invented at New York University School of Medicine;

- MediBeacon, Inc. ("MediBeacon"), a company developing a proprietary non-invasive real-time monitoring system for the evaluation of kidney function. This system (known as the MediBeacon Optical Renal Function Monitor system) uses an optical skin sensor combined with a proprietary agent that glows in the presence of light. It will be the first and only, non-invasive system to enable real-time, direct monitoring of renal function at point-of-care. On March 2, 2017, MediBeacon announced the successful completion of a real-time, point of care renal function clinical study on subjects with impaired kidney function at Washington University in St. Louis. On June 8, 2016, MediBeacon announced the completion of the acquisition of Mannheim Pharma & Diagnostics, a life science company based in Mannheim, Germany. Recently, MediBeacon announced a collaborative research project with scientists at Washington University School of Medicine in St. Louis, Missouri in a research project aimed at improving the understanding of childhood malnutrition and its related problems, including stunted growth. The work is funded by a Grand Challenges Explorations Phase II grant from the Bill & Melinda Gates Foundation to Washington University. It is a follow-up grant to work carried out through a Phase I Grand Challenges Explorations Award made in 2014. MediBeacon was also recently the recipient of a Small Business Innovation Research grant supported by the National Eye Institute of the National Institutes of Health (NIH). With this support, MediBeacon is pursuing research into the use of a MediBeacon fluorescent tracer agent to visualize vasculature in the eye. The focus of the NIH-supported project is to determine if a specific proprietary MediBeacon tracer agent when administered has the potential to provide additional clinical value versus the existing standard of care.

Further, on October 22, 2018, the U.S. Food and Drug Administration (FDA) granted Breakthrough Device designation to the MediBeacon's Transdermal GFR Measurement System (TGFR). The device is intended to measure Glomerular Filtration Rate (GFR) in patients with impaired or normal renal function; and

- Triple Ring Technologies, a research and development engineering company specializing in medical devices, homeland security, imaging sensors, optics, fluidics, robotics and mobile healthcare.

Dispositions

On June 8, 2018, Pansend closed on the sale of its approximately 75.9% ownership in BeneVir Biopharm, Inc. ("BeneVir") to Janssen Biotech, Inc. ("Janssen"). In conjunction with the closing of the transaction, Janssen made an upfront cash payment of $140.0 million. Pansend received a cash payment of $93.4 million and expects to receive an additional cash payment of $13.3 million, currently held in an escrow, for a total consideration of $106.7 million. The escrow will be released within 15 months subsequent to the closing date, assuming there are no pending or unresolved indemnified claims. Pansend recorded a gain on the sale of $102.1 million, of which $21.7 million was allocated to noncontrolling interests. HC2 received a cash payment of $72.8 million and expects to receive an additional cash payment of $9.2 million upon the release of the escrow.

Under the terms of the merger agreement, Pansend is eligible to receive payments of up to $189.7 million upon the achievement of specified development milestones and up to $493.1 million upon the achievement of specified levels of annual net sales of licensed products. From these potential milestone payments, HC2 is eligible to receive up to $512.2 million.

Broadcasting Segment (HC2 Broadcasting Holdings, Inc.)

HC2 Broadcasting Holdings Inc., a subsidiary of HC2 Holdings, Inc., is an owner and operator of broadcast TV stations throughout the U.S., formed in 2017. As of December 31, 2018, HC2 Broadcasting and its subsidiaries operate approximately 138 operational stations, including 8 Full-Power stations, 39 Class A stations and 91 LPTV stations. Inclusive of 29 pending operating station acquisitions, HC2 Broadcasting and its subsidiaries will operate approximately 167 operational stations, including 14 Full-Power stations, 55 Class A stations and 98 LPTV stations, collectively able to broadcast over 1,000 sub-channels. This coverage reaches over 130 markets between the U.S. and Puerto Rico, including 9 of the top 10 markets. HC2 Broadcasting's objective is to build a nationwide broadcast TV distribution platform that delivers OTA broadcast content that will reach the majority of the U.S. when fully built. HC2 Broadcasting's plan is to interconnect all of HC2 Broadcasting's stations to an IP network backbone, which will allow us to monitor and operate the stations remotely. The network backbone is moving onto cloud-based infrastructure, which we expect will offer significant cost efficiencies and redundancy.

In December 2017, HC2 Broadcasting also acquired Azteca America, formerly the US subsidiary of TV Azteca, S.A.B. de C.V., Mexico's second largest broadcast network. Today, Azteca America airs Spanish language programming targeting U.S. Hispanics and is carried mostly on HC2 Broadcasting's stations. Much of the network's programming is provided by the former parent company under a multi-year Programming Licensing Agreement (PLA) with HC2 Broadcasting. The network is carried on approximately 23 HC2 Broadcasting stations and by 25 Azteca America affiliate stations in the U.S. Unlike HC2 Broadcasting's station group, Azteca America is a linear broadcast television network that requires the development and maintenance of programming. As such, HC2 Broadcasting has dedicated employees in the U.S. and contracted employees in Mexico under a Broadcast Services Agreement ("BSA") with TV Azteca who work to maintain the content.

Station Group and Network Acquisitions

Since November 2017, HC2 Broadcasting has grown principally through acquisitions, with over 30 completed through February 28, 2019. Major acquisitions have included the following:

- DTV America Corporation
HC2 Broadcasting purchased the majority of shares of common stock of DTV America Corporation ("DTV") for a total consideration of $17.7 million. DTV currently owns and operates 50 LPTV stations in more than 30 cities. DTV's distribution platform currently provides carriage for more than 30 television broadcast networks.
- Azteca America
In November 2017, HC2 Broadcasting acquired Azteca America, a Spanish-language broadcast network for $33.0 million. The transaction included LPTV, Class A and Full-Power stations, as well as the BSA, and PLA.
- Mako Communications, LLC
Purchased all the assets of Mako Communications, LLC in connection with Mako's ownership and operation of LPTV stations that resulted in HC2 Broadcasting acquiring 38 operating stations in 28 cities, for a total consideration of $28.4 million.
- Three Angels Broadcasting Network, Inc.
In December 2017, a wholly-owned subsidiary of HC2 Broadcasting closed on a transaction with Three Angels Broadcasting Network, Inc. to purchase all of its assets in connection with its ownership and operation of Class A stations that resulted in HC2 Broadcasting acquiring 14 operating stations for a total consideration of $9.6 million.

Operating Broadcast Stations

Below are HC2 Broadcasting's operating stations as of December 31, 2018, listed here by call sign and market rank:

Market	Market	Station	Service

	Rank (a)		
New York, NY	1	WEDW	Full-Power Station
		WKOB-LD	LPTV Station
Los Angeles, CA	2	KHIZ-LD	LPTV Station
Chicago, IL	3	W25DW-D	LPTV Station
		WPVN-CD	Class A Station
Philadelphia, PA	4	WDUM-LD	LPTV Station
		W36DO-D	LPTV Station
		WZPA-LD	LPTV Station
		WPSJ-CD	Class A Station
Dallas-Ft. Worth, TX	5	KAZD	Full-Power Station
		KJJM-LD	LPTV Station
		KNAV-LP	LPTV Station
		KODF-LD	LPTV Station
		KPFW-LD	LPTV Station
Houston, TX	7	KUVM-CD	Class A Station
		KYAZ	Full-Power Station

		KEHO-LD	LPTV Station
		KUVM-LD	LPTV Station
SanFrancisco - Oakland - San Jose, CA	8	KTNC-TV	Full-Power Station
		KEMO-TV	Full-Power Station
		KQRO-LD	LPTV Station
		KFTY-LD	LPTV Station
Atlanta, GA	10	WUVM-LP	LPTV Station
		WDWW-LD	LPTV Station
		WYGA-CD	Class A Station
		WUEO-LD	LPTV Station
Tampa - St. Petersburg - Sarasota, FL	11	W16DQ-D	LPTV Station
		WXAX-CD	Class A Station
		WTAM-LD	LPTV Station
Phoenix - Prescott, AZ	12	K18JL-D	LPTV Station
		KMOH-TV	Full-Power Station
		KPDF-CD	Class A Station
		KEJR-LD	LPTV Station
Seattle - Tacoma, WA	13	KUSE-LD	LPTV Station
Detroit, MI	14	WUDL-LD	LPTV Station
		WDWO-CD	Class A Station
Minneapolis - St. Paul, MN	15	K33LN-D	Class A Station
		KJNK-LD	