

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No.)

Filed by the Registrant ☐

Filed by a Party Other than the Registrant ☒

Check the Appropriate Box:

- ☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☐ Definitive Proxy Statement
☒ Definitive Additional Materials
☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

HC2 Holdings, Inc.
(Name of registrant as specified in its charter)

PERCY ROCKDALE LLC
RIO ROYAL LLC
MG CAPITAL MANAGEMENT LTD.
GEORGE BROKAW
KENNETH COURTIS
MICHAEL GORZYNSKI
ROBIN GREENWOOD
LIESL HICKEY
JAY NEWMAN

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the Appropriate Box):

- ☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it is determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:

- ☐ Fee paid previously with preliminary materials:
☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement no.:
(3) Filing Party:
(4) Date Filed:
-

MG Capital Management Ltd., together with the other participants named herein (collectively, “MG Capital”), has filed with the Securities and Exchange Commission a definitive consent statement and an accompanying consent card to be used to solicit votes for the election of its slate of director nominees for the Board of Directors of HC2 Holdings, Inc., a Delaware corporation (the “Issuer”).

On April 30, 2020, MG Capital and its affiliates (i) issued the press release attached as Ex. 99.1, (ii) updated their website (www.abetterhc2.com) as attached in Ex. 99.2 and (iii) sent the email attached as Ex. 99.3 to shareholders of the Issuer and registered users of their website.

MG Capital Announces Glass Lewis' Recommendation to Remove the Entire HC2 Board and Elect All Six of MG Capital's Director Nominees

Both Leading Independent Proxy Advisory Firms Have Now Supported MG Capital's Case for Major Change Atop HC2

In a Rare Move, Glass Lewis Resoundingly Recommends Stockholders Overhaul the Entire Board, Joining ISS in Its Support of Removing CEO Philip Falcone From the Board

MG Capital Urges Stockholders to Not be Misled by HC2 and Mr. Falcone's Desperate Last-Minute Promises and to "CONSENT" to Each Action on the GREEN Consent Card Today

NEW YORK--(BUSINESS WIRE)-- MG Capital Management, Ltd. (together with Percy Rockdale LLC, the nominating stockholder, and its affiliates, "MG Capital" or "we"), today announced that Glass, Lewis & Co., LLC ("Glass Lewis"), a leading independent proxy advisory firm, has endorsed its case for wholesale change at HC2 Holdings, Inc. (NYSE: HCHC) ("HC2" or the "Company"). Glass Lewis recommends that stockholders vote to **"CONSENT"** to all actions on the **GREEN** consent card, including the election of all six of MG Capital's highly-qualified and independent nominees – George Brokaw, Kenneth Courtis, Michael Gorzynski, Robin Greenwood, Liesl Hickey and Jay Newman – to HC2's Board of Directors (the "Board"). Learn more about our nominees and how to **CONSENT** on the **GREEN** card at www.ABetterHC2.com.

Glass Lewis' overwhelming show of support is a rare endorsement of the removal of each and every individual on a public company's Board of Directors and represents a strong rebuke of HC2's current leadership and strategy. Glass Lewis' endorsement follows ISS' strong recommendation that stockholders **CONSENT** to the removal of Philip Falcone, Wayne Barr and Robert Leffler Jr. and the election of MG Capital's highly-qualified and independent nominees – George Brokaw, Kenneth Courtis and Jay Newman – to HC2's Board. The recommendations of ISS and Glass Lewis are relied upon by most of the premier institutional investors throughout the world.

Glass Lewis endorsed MG Capital's vision and its full slate of world-class director nominees¹:

- "[...] we believe that the Dissident has made a sufficiently compelling case to warrant supporting its proposed overhaul of the board. In our view, the Dissident has clearly highlighted a number of key concerns that we believe a wholly refreshed board can better address [...]."
- "[...] the Dissident has given due thought to how each of its nominees can meaningfully contribute to the Company's immediate needs. We also believe that the Dissident has outlined a reasonably detailed initial transition plan and a medium-term plan aimed at creating shareholder value."
- "Beyond divesting non-core assets to pay down debt, the Dissident believes that it can reduce overhead costs through meaningful reductions in executive pay (in our engagement with the Dissident, Mr. Gorzynski indicated that he would not take any pay if he were to be appointed interim CEO), a 50% reduction in annual director fees, cuts of up to \$3 million in annual real estate and related party fees and cuts of up to \$5 million in what the Dissident considers to be 'opaque administrative overhead.'"
- "We believe that the Dissident has made a convincing case to reasonably justify a wholesale shake-up of the Company's board."

¹ Permission to quote Glass Lewis was neither sought nor obtained. Emphases added.

Glass Lewis highlighted HC2's long-term underperformance and the real-world risks associated with the Company's significant debt load:

- “We observed that, on balance, the Company has significantly underperformed its proxy peer group and the broader market indices over a substantial majority of the selected relevant periods, including all the selected periods up through the Dissident's 13D filing.”
- “[...] the Company has undertaken a leveraged acquisition strategy that we believe, to date, has failed to generate meaningful value for shareholders and has left the Company scrambling to pare down its substantial and expensive debt burden.”
- “[...] we believe that the board still deserves a fair deal of criticism for enabling management to embark on what appears to us to have been a leveraged acquisition strategy that has largely generated below-market returns for shareholders.”
- “Based on this review, we believe that shareholders have reason to be concerned with the relative TSR underperformance and levered acquisition strategy of the Company. The Company's share price has underperformed relative to a peer composite and broader market indices, over a range of relevant historical periods.”

Glass Lewis also emphasized HC2's troubling management and director compensation structures:

- “Considering the Company's corporate structure, we understand that NAV return can be a useful measure for assessing the cash flow generation and the value appreciation of the Company's underlying business investments. However, we believe the benefits of this metric may be somewhat diminished by the Company's historically opaque disclosures in relation thereto.”
- “We also find it curious that the compensation committee has not incorporated a market-based metric, such as TSR, into its executive incentive compensation program, particularly considering the substantial and persistent NAV trading discount in the Company's shares.”
- “This suggests to us that more substantive corrective action may need to be taken at the holdco level to address the Company's performance-based executive compensation program.”
- “[...] we believe the board's decision to raise its own compensation represents poor optics and undercuts the board's argument that it has been taking proactive steps to earnestly reduce costs.”

Glass Lewis detailed Mr. Falcone's glaring issues and the Board's disregard for sound corporate governance:

- “[...] we believe that the Dissident has highlighted several notable concerns regarding the board's efforts in prior years to potentially marginalize the Company's common shareholders.”
 - “In our view, the seriousness of the aforementioned SEC charges and the subsequent admission of guilt by Mr. Falcone raises significant questions regarding his track record and judgment, a view that Glass Lewis first expressed back when Mr. Falcone initially joined the board.”
 - “The fact that Mr. Falcone continues to face personal legal allegations regarding matters stemming from that settlement is certainly far from ideal, to say the least, from the perspective of the Company and its shareholders.”
 - “[...] each of the foregoing proposed amendments point to problematic examples of the directors requesting shareholder approval of provisions that seemingly would result in greater harm than benefit to unaffiliated common shareholders.”
 - “[...] we are inclined to agree with the Dissident's view that Mr. Falcone's continued presence with the Company may be casting a shadow over some of the Company's more heavily-regulated businesses, particularly CIG, as regulators may be even more wary and scrutinizing in making certain decisions relating to the Company's businesses.”
-

Glass Lewis also expressed concerns regarding Avram Glazer’s addition to the current Board of Directors:

- “[...] two of the Company’s current directors (Messrs. Gfeller and Leffler, Jr.) had lengthy overlapping board tenures with Mr. Glazer at Zapata, and we again note that Mr. Glazer sold Zapata to Mr. Falcone.”
- “The Glazer family was also heavily scrutinized for a series of arguably questionable deals in which they sold several of their businesses to Zapata, leading to allegations from some Zapata minority shareholders that those transactions were merely a way for the family to enrich themselves and raise proceeds that the family needed for their personal purchase of the Tampa Bay Buccaneers football team.”
- “We can certainly observe some parallels in the investment approach that Mr. Glazer took with respect to Zapata versus the approach that Mr. Falcone has taken with the Company.”

Michael Gorzynski, MG Capital’s founder and managing partner, commented:

“We are pleased that Glass Lewis has endorsed our case for wholesale change and recommended that stockholders vote to consent to the addition of all six of our director nominees and endorsed our plan to create value for HC2 stockholders. Glass Lewis’ devastating critique of this errant Board has sent a powerful message to stockholders that Mr. Falcone’s reckless decisions, rampant self-dealing and concerning legal and financial issues represent an unnecessary drag on HC2 that must be urgently addressed with the election of our highly-qualified nominees.

This is now the second time in a week that an independent proxy advisory firm has recommended that stockholders take action to overhaul HC2’s current mix of directors. Building on the recommendations of ISS, Glass Lewis has also taken the prudent step of warning stockholders against any refreshment of the Board of Directors that includes individuals with prior connections to Mr. Falcone or the other members. A loud and clear message has now been sent: **real change is needed in HC2’s boardroom**. Do not be misled by Mr. Falcone’s desperate last-minute promises.

If elected, stockholders can trust our world-class nominees will work to reverse HC2’s value-destructive trajectory and bring about the important leadership changes the Company desperately needs. Our nominees have developed a comprehensive plan for delivering significant long-term stockholder value through the elimination of corporate waste, a systematic reduction of debt and an optimization of HC2’s portfolio around ‘crown jewel’ assets. Simply put, we will be better stewards of your investment now and in the future.

MG Capital intends to remain a long-term stockholder champion. Our slate is committed to taking whatever steps are necessary to right the ship at HC2 and deliver the long-term value that stockholders deserve.”

We urge HC2 stockholders to CONSENT to all three proposals on the GREEN consent card and return it in your postage-paid envelope provided. The consent deadline is May 7, 2020. Visit www.ABetterHC2.com for more information.

Should you have any questions or need assistance with voting, please contact Saratoga Proxy Consulting LLC at (888) 368-0379 or (212) 257-1311 or by email at info@saratogaproxy.com.

PROTECT YOUR INVESTMENT. SIGN, DATE AND RETURN YOUR FILLED OUT GREEN CONSENT CARD TODAY.

FORWARD-LOOKING STATEMENTS

Any statements contained herein that do not describe historical facts, including future operations, are neither promises nor guarantees and may constitute “forward-looking statements” as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. There is no assurance or guarantee with respect to the prices at which any securities of the Issuer will trade, and such securities may not trade at prices that are stated, estimated or implied herein. Any such forward-looking statements contained herein are based on current assumptions, estimates and expectations, but are subject to a number of known and unknown risks and significant business, economic and competitive uncertainties that may cause actual results to differ materially from expectations. Numerous factors could cause actual future results to differ materially from current expectations expressed or implied by such forward-looking statements, including the risks and other risk factors detailed in various publicly available documents filed by the Issuer from time to time with the Securities and Exchange Commission (SEC), which are available at www.sec.gov, including but not limited to, such information appearing under the caption “Risk Factors” in Issuer’s Annual Report on Form 10-K filed with the SEC on March 16, 2020. Any forward-looking statements should be considered in light of those risk factors. MG Capital cautions readers not to rely on any such forward-looking statements, which speak only as of the date they are made. MG Capital disclaims any intent or obligation to publicly update or revise any such forward-looking statements to reflect any change in Issuer expectations or future events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results may differ from those set forth in such forward-looking statements.

Contacts

For Investors:

Saratoga Proxy Consulting LLC
John Ferguson / Joe Mills, 212-257-1311
jferguson@saratogaproxy.com / jmills@saratogaproxy.com

For Media:

Profile
Greg Marose / Charlotte Kiaie, 347-343-2999
gmarose@profileadvisors.com / ckiaie@profileadvisors.com

DISPLACED DUE TO COVID AND WANT TO CONSENT?

HOW TO CONSENT BEFORE MAY 7, 2020 DEADLINE >

A BETTER HC2

HOMECASE FOR CHANGEOUR NOMINEESNEWS & RESOURCESCONTACT US

HOW TO CONSENT

News & Resources

▼

IMPORTANT MATERIALS

MG Capital Announces Glass Lewis' Recommendation to Remove the Entire HC2 Board and Elect All Six of MG Capital's Director Nominees | BusinessWire | April 30, 2020

MG Capital Encourages Stockholders to Avoid Being Misled by HC2's Attempts to Rewrite History | BusinessWire | April 28, 2020

Letter to HC2 stockholders | April 23, 2020

Presentation: A Reality Check for HC2 | April 17, 2020

A Better HC2 Presentation: TIME FOR A BETTER BOARD AND VISION | April 13, 2020

Letter to HC2 stockholders | April 7, 2020

Read MG Capital's Definitive Consent Statement | April 3, 2020

MG Capital Questions HC2's Appointment of Long-Time Falcone Insider as Chairman | BusinessWire | April 2, 2020

MG Capital Sends Letter to HC2's Recently-Appointed Lead Director | BusinessWire | March 30, 2020

MG Capital Launches Consent Solicitation to Overhaul the Board of Directors of HC2 Holdings | BusinessWire | March 13, 2020

STOCKHOLDER INFORMATION

[Glass Lewis backs MG Capital's full slate at HC2](#) | [Activist Insight](#) | April 30, 2020

[Glass Lewis Backs Dissident in HC2 Board Battle](#) | [The Deal](#) | April 30, 2020

[In rare move, Glass Lewis backs all MG Capital nominees to replace entire HC2 board](#) | [Reuters](#) | April 29, 2020

[In Rare Move, Glass Lewis Backs All MG Capital Nominees to Replace Entire HC2 Board](#) | [The New York Times](#) | April 29, 2020

[ISS Urges Falcone's Removal From HC2 Board](#) | [The Deal](#) | April 24, 2020

[Proxy adviser ISS backs three of six MG Capital nominees at HC2: report](#) | [Reuters](#) | April 23, 2020

[Proxy Adviser ISS Backs Three of Six MG Capital Nominees at HC2: Report](#) | [The New York Times](#) | April 23, 2020

[ISS supports partial change at HC2](#) | [Activist Insight](#) | April 24, 2020

[MG presents detailed plan in HC2 fight](#) | [Activist Insight](#) | April 13, 2020

[MG Capital calls on HC2 to fire CEO](#) | [Activist Insight](#) | March 30, 2020

[MG seeks quicker change at HC2 with consent solicitation](#) | [Activist Insight](#) | March 16, 2020

[Activist investor makes new push for HC2 board to remove chief Falcone: letter](#) | [Reuters](#) | March 30, 2020

[Activist MG Capital calls for HC2 to investigate insurance deal](#) | [Reuters](#) | March 3, 2020

Glass Lewis backs MG Capital's full slate at HC2

Activist Insight

30th April 2020

Proxy voting adviser Glass Lewis has recommended HC2 Holdings shareholders vote for all six MG Capital Management director nominees at the company's May 7 annual meeting. The announcement comes a week after Institutional Shareholder Services (ISS) issued a partial backing for the activist's campaign.

Glass Lewis argued that MG Capital's plan for HC2 is "sufficiently compelling" to warrant the board overhaul and advised shareholders to replace all of the company's incumbent directors with the activist's slate, according to a Thursday morning [communiqué](#) by the dissident.

MG Capital is seeking full control of the board and the CEO position for its managing partner, Michael Gorzynski. The 5.7% activist shareholder claims HC2 management has endangered the company's health by taking on "excessive" debt to finance a series of "haphazard acquisitions."

The activist's main target is CEO Philip Falcone, whom MG Capital blames for pushing HC2 "to the brink of bankruptcy" through his mismanagement and "excessive" compensation.

Glass Lewis found it "curious" that HC2 has not incorporated a market-based metric, such as total shareholder return, into its compensation scheme, "particularly considering the substantial and persistent NAV [net asset value] trading discount in the company's shares."

"In our view, the dissident has clearly highlighted a number of key concerns that we believe a wholly refreshed board can better address," Glass Lewis said in its report on Wednesday.

Glass Lewis added that MG Capital's intention to "reduce overhead costs through meaningful reductions" in executive and director pay, coupled with plans to shed non-core assets to pay down debt, make a "convincing case to reasonably justify a wholesale shake-up of the company's board."

The adviser also criticized the board for allowing "management to embark on what appears to us to have been a leveraged acquisition strategy that has largely generated below-market returns."

Pressure is building on HC2 and Falcone as Glass Lewis' recommendation follows one by ISS that also backed MG Capital's board campaign, albeit only partially. ISS said shareholders should vote for three of the activist's six-person slate but took particular aim at Falcone, claiming that he may not be best suited to continue as CEO, given his "past refinancing missteps, questionable accounting decisions, and ... prior litigious history."

Glass Lewis' report echoed these concerns, contending that "Falcone's continued presence with the company may be casting a shadow over some of the company's more heavily-regulated businesses."

Regarding the recent addition of Avram Glazer to HC2's slate, Glass Lewis said he was involved in a scandal regarding a series of deals that were allegedly designed to enrich his family at the expense of minority shareholders. The adviser said these questionable transactions share similarities with the approach of Falcone with respect to the HC2.

Shares in HC2 gained 11.3% on Wednesday amid a wide market rally. The Russell 3000 Index ended up nearly 3% for the day.

Glass Lewis Backs Dissident in HC2 Board Battle

Proxy adviser Glass, Lewis & Co. LLC has urged shareholders of HC2 Holdings Inc. (HCHC) to back a complete board takeover effort by ex-Third Point LLC analyst Michael Gorzynski, in a major blow to the miniconglomerate's founder and CEO Philip Falcone.

The recommendation, published Wednesday, April 29, and obtained by The Deal Thursday, represents a second consecutive negative recommendation for Falcone. Institutional Shareholder Services Inc. [earlier this month](#) urged investors to back three of six dissident directors. Both reports, however, urge shareholders to vote Falcone off of HC2's board.

The insurgent manager wants Falcone removed from his role as CEO. It also wants the company to focus on its core assets, including construction unit DBM Global and insurance outfits Continental Insurance Group and Continental General Insurance Co., while divesting other units. In addition, Gorzynski wants to become interim CEO in Falcone's stead. HC2 has business operations in construction, marine services, insurance and other sectors.

After having reviewed the background and qualifications of the dissident nominees, we are of the opinion that the dissident has presented a compelling slate of qualified independent nominees with experience," Glass Lewis said in its report.

Gorzynski, manager of MG Capital Management LP, has an unconventional approach to electing his dissident director candidates. Instead of waiting for an annual meeting, the activist investor is employing a written consent solicitation director battle. Consents for incumbent and dissident director candidates are due to be tallied and delivered to the company's proxy solicitor by May 12.

The two major proxy advisers differ as to whether Gorzynski should get to install himself as interim CEO following the director election. Glass Lewis appeared supportive of Gorzynski's commitment not to receive pay if he were appointed interim CEO, as the company would also conduct a hunt for a full-time replacement through an external search process. However, ISS suggested that shareholders may have some reservations regarding Gorzynski's ability as interim CEO given his lack of experience as a public company executive or director.

Glass Lewis focused much of its report in support of Gorzynski's plan to cut costs, noting that he plans to reduce executive compensation and implement a 50% pay cut in director fees, with possible additional cuts to follow after a review of the businesses.

Both ISS and Glass Lewis were critical of Falcone. Glass Lewis said that the dissident has highlighted valid concerns about Falcone's personal legal matters in the context of potential reputational harm to certain of the company's operating businesses, as well as efforts by a majority of the directors in prior years to marginalize the company's common shareholders.

ISS pointed to refinancing missteps, questionable accounting decisions and Falcone's prior litigious history as reasons to remove him from the board.

In February, a lawsuit filed by Melody Business Financial LLC with the New York State Supreme Court in Manhattan alleged Falcone and other affiliates defaulted on obligations to repay loans between 2013 and 2017 and inappropriately sold some pledged collateral including artworks produced by Edgar Degas and Andy Warhol. Melody seeks more than \$65.8 million, and a court last year reportedly ordered HC2 to hold back some of Falcone's wages to satisfy unpaid obligations after he was ordered to pay unpaid taxes in New York.

The City of New York recently obtained a levy to collect the \$2.5 million unpaid balance of its \$2.7 million judgment against Falcone. It is unclear whether Falcone's stake in HC2 would be affected by the lawsuits with creditors such as Melody.

A Feb. 14 13D filing from Falcone shows the HC2 CEO owns 17% of the company, or about 9 million shares. According to the filing, Falcone owns 1.3 million shares of which he "has the sole power to vote or dispose." Beyond those shares, he has options that could bring his total to closer to 17% of the company's stock.

Even with the recommendations, MG Capital will have a tough time convincing some big shareholders not to back Falcone.

Seeking to appease disgruntled investors, HC2 announced April 21 it was installing a new director, Lancer Capital LLC's Avram Glazer, as board chairman. Lancer owns a 5.3% HC2 stake. HC2's interim chairman, Warren Gfeller, has described Glazer as an independent and high-quality nominee. However, Glazer has connections to Gfeller, Falcone and HC2 that suggest he isn't independent.

In addition, another activist, Julian Singer, a 6.4% holder, reported earlier this month that he supported Glazer's nomination and that he wouldn't back MG Capital's campaign.

In rare move, Glass Lewis backs all MG Capital nominees to replace entire HC2 board

Svea Herbst-Bayliss

3 MIN READ



BOSTON (Reuters) - Proxy adviser Glass Lewis on Wednesday backed activist investor MG Capital by recommending that HC2 Holdings ([HCHC.N](#)) shareholders replace all board members with the investment firm's founder Michael Gorzynski and five other nominees.

The backing, a rebuke of Philip Falcone, a former hedge fund manager who is now HC2's chief executive, is noteworthy as proxy advisers rarely recommend dissidents be awarded a majority of board seats.

Glass Lewis has also said it does not like recommending people directly associated with the dissident, such as a founder or a partner.

In contrast, Glass Lewis' larger rival Institutional Shareholder Services' (ISS) recommended shareholders vote for three of MG Capital's candidates and not re-elect Falcone.

"The dissident has made a sufficiently compelling case to warrant supporting its proposed overhaul of the board," the Glass Lewis report said.

"In our view, the dissident has clearly highlighted a number of key concerns that we believe a wholly refreshed board can better address."

In MG Capital's first activist campaign, Gorzynski has called Falcone's tenure as CEO a "disaster for shareholders" and criticized the former billionaire's handpicked board for poor governance, conflicts of interest, and missing regulatory issues.

Gorzynski, who once worked for Daniel Loeb's hedge fund Third Point, is seeking to cut the company's annual costs and refocus on HC2's core holdings.

HC2, with a market value of some \$132 million, has businesses in construction, marine services and several other sectors.

Glass Lewis said the board allowed "management to embark on what appears to us to have been a leveraged acquisition strategy that has largely generated below-market returns."

HC2 did not have an immediate comment.

This year, Falcone was sued for more than \$65.8 million for allegedly defaulting on loans and had his assets frozen for failing to pay lawyers. A lawyer representing Falcone said the suit has no merit and that his client plans to fight it.

Last year HC2 was ordered by a court to withhold some of Falcone's wages to satisfy unpaid obligations.

ADVERTISEMENT

In addition to Gorzynski, Glass Lewis recommended shareholders vote for George Brokaw, Kenneth Courtis, Jay Newman, Robin Greenwood and Liesl Hickey. Only Gorzynski works for MG Capital.

The vote is due to take place on May 7.

MG Capital's campaign became public earlier this year and HC2's stock price has climbed 18% for the year to date.

Reporting by Svea Herbst-Bayliss; Editing by Edwina Gibbs

Our Standards: [The Thomson Reuters Trust Principles.](#)

In Rare Move, Glass Lewis Backs All MG Capital Nominees to Replace Entire HC2 Board

By Reuters

April 29, 2020



BOSTON — Proxy adviser Glass Lewis on Wednesday backed activist investor MG Capital by recommending that HC2 Holdings shareholders replace all board members with the investment firm's founder Michael Gorzynski and five other nominees.

The backing, a rebuke of Philip Falcone, a former hedge fund manager who is now HC2's chief executive, is noteworthy as proxy advisers rarely recommend dissidents be awarded a majority of board seats.

Glass Lewis has also said it does not like recommending people directly associated with the dissident, such as a founder or a partner.

In contrast, Glass Lewis' larger rival Institutional Shareholder Services' (ISS) recommended shareholders vote for three of MG Capital's candidates and not re-elect Falcone.

"The dissident has made a sufficiently compelling case to warrant supporting its proposed overhaul of the board," the Glass Lewis report said.

"In our view, the dissident has clearly highlighted a number of key concerns that we believe a wholly refreshed board can better address."

In MG Capital's first activist campaign, Gorzynski has called Falcone's tenure as CEO a "disaster for shareholders" and criticized the former billionaire's handpicked board for poor governance, conflicts of interest, and missing regulatory issues.

Gorzynski, who once worked for Daniel Loeb's hedge fund Third Point, is seeking to cut the company's annual costs and refocus on HC2's core holdings.

HC2, with a market value of some \$132 million, has businesses in construction, marine services and several other sectors.

Glass Lewis said the board allowed "management to embark on what appears to us to have been a leveraged acquisition strategy that has largely generated below-market returns."

HC2 did not have an immediate comment.

This year, Falcone was sued for more than \$65.8 million for allegedly defaulting on loans and had his assets frozen for failing to pay lawyers. A lawyer representing Falcone said the suit has no merit and that his client plans to fight it.

Last year HC2 was ordered by a court to withhold some of Falcone's wages to satisfy unpaid obligations.

In addition to Gorzynski, Glass Lewis recommended shareholders vote for George Brokaw, Kenneth Curtis, Jay Newman, Robin Greenwood and Liesl Hickey. Only Gorzynski works for MG Capital.

The vote is due to take place on May 7.

MG Capital's campaign became public earlier this year and HC2's stock price has climbed 18% for the year to date.

(Reporting by Svea Herbst-Bayliss; Editing by Edwina Gibbs)

From: MG Capital <HC2shareholders@profileadvisors.com>
Sent: Thursday, April 30, 2020
Subject: Glass Lewis backs MG Capital

A BETTER HC2

Glass Lewis, ISS and Egan-Jones support our case for meaningful change in HC2's boardroom.

Fellow Stockholders,

We're pleased to share that ALL three leading independent proxy advisory firms have endorsed our case for significant change at HC2.

Glass Lewis and Egan-Jones recommend that HC2 stockholders CONSENT on the GREEN card to:

- Remove all six of HC2's incumbent directors, including CEO Philip Falcone; and
 - Elect MG Capital's six highly-qualified, independent director nominees.
-

[Read More from Glass Lewis](#)

[Our candidates](#) possess the integrity, cross-sector experience, credibility and leadership sorely needed in the boardroom. Stockholders can trust that our slate would work to reverse HC2's value-destructive trajectory and bring about wholesale leadership changes the Company desperately needs.

Glass Lewis, ISS and Egan-Jones all agree that HC2 needs our nominees in the boardroom to effect change aligned with the long-term interests of stockholders. We urge you to vote the **[GREEN](#)** consent card for a better HC2.

Sincerely,
Michael Gorzynski

Founder and Managing Partner, MG Capital



REUTERS

Additional Reading from Reuters:

[*In rare move, Glass Lewis backs all MG Capital nominees to replace entire HC2 board*](#)

"Proxy adviser Glass Lewis on Wednesday backed activist investor MG Capital by recommending that HC2 Holdings (HCHC) shareholders replace all board members with the investment firm's founder Michael Gorzynski and five other nominees."

This email was sent to

[why did I get this?](#) [unsubscribe from this list](#) [update subscription preferences](#)

MG Capital · 595 Madison Avenue · N