

REFINITIV

## DELTA REPORT

### 10-Q

INNOVATE CORP.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 3509

█ **CHANGES** 404

█ **DELETIONS** 1982

█ **ADDITIONS** 1123

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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

Commission File No. 001-35210



**INNOVATE CORP.**

(Exact name of registrant as specified in its charter)

Delaware

54-1708481

(I.R.S. Employer  
Identification No.)

**3340110017**

(State or other jurisdiction of incorporation or organization)

**222 Lakeview 295 Madison Ave., Suite 1660, West Palm Beach, FL 12th Floor, New York, NY**

(Address of principal executive offices)

(Zip Code)

(212) 235-2691  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	VATE	New York Stock Exchange
Preferred Stock Purchase Rights	N/A	New York Stock Exchange

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

None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically 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 such files). Yes  No

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.:

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

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 Exchange Act). Yes  No

As of **November 6, 2023** **May 3, 2024**, **79,234,991** **85,192,032** shares of common stock, par value \$0.001, were outstanding.

**INNOVATE CORP.**

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**PART II FINANCIAL INFORMATION**

**Item 1. Unaudited Financial Statements**

**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited, in millions, except per share amounts)

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,		
		2023	2022	2023	2022	2024		2023
Revenue	Revenue	\$375.3	\$423.0	\$1,062.0	\$1,228.0			
Cost of revenue	Cost of revenue	316.6	364.6	907.1	1,069.5			
<b>Gross profit</b>	<b>Gross profit</b>	58.7	58.4	154.9	158.5			
Operating expenses:								
Selling, general and administrative	Selling, general and administrative	43.8	45.6	126.6	130.3			
Selling, general and administrative								
Depreciation and amortization	Depreciation and amortization	4.0	6.8	15.9	20.6			
Other operating loss (income)	Other operating loss (income)	0.2	(0.6)	(0.1)	0.7			
<b>Income from operations</b>		10.7	6.6	12.5	6.9			
Other operating loss (income)								
Other operating loss (income)								
<b>Income (loss) from operations</b>								
Other (expense) income:	Other (expense) income:							
Interest expense	Interest expense	(17.1)	(13.3)	(49.0)	(38.4)			
Loss from equity investees	Loss from equity investees	(1.5)	(1.1)	(5.8)	(2.1)			
Other income (expense), net	Other income (expense), net	0.4	(0.9)	17.2	0.5			
Loss from equity investees								
Loss from equity investees								
Other (expense) income, net								
Other (expense) income, net								
Other (expense) income, net								
<b>Loss from operations before income taxes</b>	<b>Loss from operations before income taxes</b>							
Income tax (expense) benefit	Income tax (expense) benefit	(1.1)	2.0	(3.2)	(1.6)			
Income tax expense								
<b>Net loss</b>	<b>Net loss</b>	(8.6)	(6.7)	(28.3)	(34.7)			
Net loss attributable to non-controlling interests and redeemable non-controlling interests		1.6	1.3	2.4	4.5			

<b>Net loss</b>				
<b>Net loss</b>				
Net loss (income) attributable to non- controlling interests and redeemable non- controlling interests				
<b>Net loss</b>	<b>Net loss</b>			
<b>attributable to</b>	<b>attributable to</b>			
<b>INNOVATE</b>	<b>INNOVATE</b>			
<b>Corp.</b>	<b>Corp.</b>	(7.0)	(5.4)	(25.9)
Less:	Less:			(30.2)
Preferred	Preferred			
dividends	dividends	0.3	1.2	2.1
<b>Net loss</b>	<b>Net loss</b>			
<b>attributable to</b>	<b>attributable to</b>			
<b>common</b>	<b>common</b>			
<b>stockholders</b>	<b>stockholders</b>	\$ (7.3)	\$ (6.6)	\$ (28.0)
Loss per share -	Loss per share -			\$ (33.8)
basic and	basic and			
diluted	diluted	\$ (0.09)	\$ (0.09)	\$ (0.36)
Loss per share - basic and diluted				\$ (0.44)
Loss per share - basic and diluted				
Weighted	Weighted			
average	average			
common shares	common shares			
outstanding -	outstanding -			
basic and	basic and			
diluted	diluted	78.4	77.6	78.0
Weighted average common				77.5
shares outstanding - basic and				
diluted				
Weighted average common				
shares outstanding - basic and				
diluted				

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited, in millions)

	Three Months Ended September 30, 2023				Nine Months Ended September 30, 2023				Three Months Ended March 31, 2024	
Net loss	Net loss				Net loss				Net loss	
	2023	2022	2023	2022						2023
Net loss			\$ (8.6)	\$ (6.7)	\$ (28.3)	\$ (34.7)				

Other comprehensive loss	Other comprehensive loss				
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax	(0.8)	(2.0)	(1.9)	(3.8)
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax				
Disposition of equity method investment, net of tax	Disposition of equity method investment, net of tax				
Disposition of equity method investment, net of tax	Disposition of equity method investment, net of tax				
Disposition of equity method investment, net of tax	Disposition of equity method investment, net of tax	—	—	(9.1)	—
Other comprehensive loss	Other comprehensive loss	\$ (0.8)	\$ (2.0)	\$ (11.0)	\$ (3.8)
Comprehensive loss	Comprehensive loss	(9.4)	(8.7)	(39.3)	(38.5)
Comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests	Comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests	1.6	1.5	5.1	4.8
Comprehensive loss attributable to INNOVATE Corp.	Comprehensive loss attributable to INNOVATE Corp.	<u>\$ (7.8)</u>	<u>\$ (7.2)</u>	<u>\$ (34.2)</u>	<u>\$ (33.7)</u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Uaudited, in millions, except share amounts)

		March September 30, 2024	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets	Assets					
Assets	Assets					
Current assets	Current assets					
Current assets	Current assets					
Cash and cash equivalents	Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$ 55.7	\$ 80.4			
Accounts receivable, net	Accounts receivable, net	290.8	254.9			

Contract assets	Contract assets	171.0	165.1
Inventory	Inventory	18.6	18.9
Restricted cash		—	0.3
Assets held for sale			
Assets held for sale			
Assets held for sale			
Other current assets	Other current assets	16.4	16.8
<b>Total current assets</b>	<b>Total current assets</b>	<b>552.5</b>	<b>536.4</b>
Investments	Investments	7.0	59.5
Deferred tax asset			
Deferred tax asset			
Deferred tax asset	Deferred tax asset	1.6	1.7
Property, plant and equipment, net	Property, plant and equipment, net	160.2	165.0
Goodwill	Goodwill	126.8	127.1
Intangibles, net	Intangibles, net	180.8	190.1
Other assets	Other assets	67.2	71.9
<b>Total assets</b>	<b>Total assets</b>	<b>\$ 1,096.1</b>	<b>\$ 1,151.7</b>
Liabilities, temporary equity and stockholders' deficit	Liabilities, temporary equity and stockholders' deficit		
Liabilities, temporary equity and stockholders' deficit			
Current liabilities	Current liabilities		
Current liabilities			
Accounts payable	Accounts payable	\$ 149.2	\$ 202.5
Accrued liabilities	Accrued liabilities	66.4	65.4
Current portion of debt obligations	Current portion of debt obligations	162.8	30.6
Contract liabilities	Contract liabilities	162.2	98.6
Other current liabilities	Other current liabilities	17.1	20.1
Other current liabilities			

Other current liabilities			
<b>Total current liabilities</b>	<b>Total current liabilities</b>	557.7	417.2
Deferred tax liability			
Deferred tax liability			
Deferred tax liability	Deferred tax liability	3.7	9.1
Debt obligations	Debt obligations	586.8	683.8
Other liabilities	Other liabilities	74.8	71.2
<b>Total liabilities</b>	<b>Total liabilities</b>	<u>1,223.0</u>	<u>1,181.3</u>
Commitments and contingencies	Commitments and contingencies	<b>Commitments and contingencies</b>	
Temporary equity	Temporary equity		
Preferred stock Series A-3 and Series A-4, \$0.001 par value	16.7	17.6	
Shares authorized: 20,000,000 as of both September 30, 2023 and December 31, 2022			
Shares issued and outstanding: 6,125 of Series A-3 and 10,000 of Series A-4 as of both September 30, 2023 and December 31, 2022			
Preferred Stock Series A-3, Preferred Stock Series A-4, and Preferred Stock Series C, \$0.001 par value			
Preferred Stock Series A-3, Preferred Stock Series A-4, and Preferred Stock Series C, \$0.001 par value			
Preferred Stock Series A-3, Preferred Stock Series A-4, and Preferred Stock Series C, \$0.001 par value			
Shares authorized: 20,000,000 as of both March 31, 2024 and December 31, 2023			
Shares issued and outstanding: 6,125 of Series A-3, 10,000 of Series A-4 and 25,000 of Series C as of March 31, 2024; and 6,125 of Series A-3, 10,000 of Series A-4 and zero of Series C as of December 31, 2023			
Shares issued and outstanding: 6,125 of Series A-3, 10,000 of Series A-4 and 25,000 of Series C as of March 31, 2024; and 6,125 of Series A-3, 10,000 of Series A-4 and zero of Series C as of December 31, 2023			

Shares issued and outstanding: 6,125 of Series A-3, 10,000 of Series A-4 and 25,000 of Series C as of March 31, 2024; and 6,125 of Series A-3, 10,000 of Series A-4 and zero of Series C as of December 31, 2023				
Redeemable non-controlling interest				
Redeemable non-controlling interest				
Redeemable non-controlling interest	Redeemable non-controlling interest	(8.4)	43.4	
<b>Total temporary equity</b>	<b>Total temporary equity</b>	<b>8.3</b>	<b>61.0</b>	
<b>Stockholders' deficit</b>	<b>Stockholders' deficit</b>			
Common stock, \$0.001 par value	Common stock, \$0.001 par value	0.1	0.1	
Shares authorized: 160,000,000 as of both September 30, 2023 and December 31, 2022				
Shares issued: 80,722,983 and 80,216,028 as of September 30, 2023 and December 31, 2022, respectively				
Shares outstanding: 79,234,991 and 78,787,768 as of September 30, 2023 and December 31, 2022, respectively				
Common stock, \$0.001 par value				
Common stock, \$0.001 par value				
Shares authorized: 160,000,000 as of both March 31, 2024 and December 31, 2023				
Shares issued: 81,373,919 and 80,722,983 as of March 31, 2024 and December 31, 2023, respectively				
Shares issued: 81,373,919 and 80,722,983 as of March 31, 2024 and December 31, 2023, respectively				
Shares issued: 81,373,919 and 80,722,983 as of March 31, 2024 and December 31, 2023, respectively				
Shares outstanding: 79,885,927 and 79,234,991 as of March 31, 2024 and December 31, 2023, respectively				

Shares outstanding: 79,885,927 and 79,234,991 as of March 31, 2024 and December 31, 2023, respectively							
Shares outstanding: 79,885,927 and 79,234,991 as of March 31, 2024 and December 31, 2023, respectively							
Additional paid-in capital	Additional paid-in capital	327.8	330.1				
Treasury stock, at cost: 1,487,992 and 1,428,260 shares as of September 30, 2023 and December 31, 2022, respectively		(5.4)	(5.3)				
Additional paid-in capital							
Additional paid-in capital							
Treasury stock, at cost: 1,487,992 shares as of both March 31, 2024 and December 31, 2023							
Accumulated deficit	Accumulated deficit	(478.0)	(452.1)				
Accumulated other comprehensive (loss) income		(2.4)	5.9				
Accumulated other comprehensive loss							
<b>Total INNOVATE Corp. stockholders' deficit</b>	<b>Total INNOVATE Corp. stockholders' deficit</b>	<b>(157.9)</b>	<b>(121.3)</b>				
Non-controlling interest	Non-controlling interest	22.7	30.7				
<b>Total stockholders' deficit</b>	<b>Total stockholders' deficit</b>	<b>(135.2)</b>	<b>(90.6)</b>				
<b>Total liabilities, temporary and stockholders' deficit</b>	<b>Total liabilities, temporary and stockholders' deficit</b>	<b>\$ 1,096.1</b>	<b>\$ 1,151.7</b>				

The accompanying notes are an integral part of these condensed consolidated financial statements.

**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(Uunaudited, in millions)

	Common Stock	Additional Paid-In	Treasury Stock	Accumulated Deficit	Accumulated Other	Total INNOVATE Stockholders'(Deficit)	Non-controlling	Total Stockholders'	Temporary Equity

	Shares	Amount	Capital			Comprehensive (Loss) (a)			Equity		Interest	(Deficit) Equity	
Balance as of June 30, 2023	79.2	\$ 0.1	\$ 327.0	\$ (5.4)	\$ (471.0)	\$ (1.6)	\$ (150.9)	\$ 22.8	\$ (128.1)	\$ 10.1			
Share-based compensation	—	—	0.8	—	—	—	0.8	—	0.8	—			
Preferred stock dividends	—	—	—	—	—	—	—	—	—	—	—	(0.3)	
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	(0.1)	(0.1)	0.1		
Net loss	—	—	—	—	(7.0)	—	(7.0)	(0.1)	(7.1)	(1.5)			
Other comprehensive (loss) income	—	—	—	—	—	(0.8)	(0.8)	0.1	(0.7)	(0.1)			
Balance as of September 30, 2023	79.2	\$ 0.1	\$ 327.8	\$ (5.4)	\$ (478.0)	\$ (2.4)	\$ (157.9)	\$ 22.7	\$ (135.2)	\$ 8.3			

	Total												
	Common Stock				Additional				Accumulated		INNOVATE	Non-controlling	Total
	Shares	Amount	Paid-In Capital	Treasury Stock	Accumulated Deficit	Comprehensive Income (Loss) (a)	Stockholders' (Deficit) Equity	Interest	Stockholders' (Deficit) Equity	Temporary Equity			
Balance as of December 31, 2023	79.2	0.1	\$ 328.2	\$ (5.4)	\$ (487.3)	\$ (1.1)	\$ (165.5)	\$ 13.8	\$ (151.7)	\$ 15.4			
Share-based compensation	—	—	0.4	—	—	—	0.4	—	0.4	—			
Preferred stock dividends - accrued	—	—	(0.3)	—	—	—	(0.3)	—	(0.3)	—			
Preferred stock dividends - paid	—	—	—	—	—	—	—	—	—	—		(0.3)	
Issuance of common stock	0.7	—	—	—	—	—	—	—	—	—			
Issuance of preferred stock in private placement	—	—	—	—	—	—	—	—	—	—		25.0	
Rights offering and private placement transaction costs	—	—	(0.5)	—	—	—	(0.5)	—	(0.5)	—		(0.5)	(1.3)
Other	—	—	(0.1)	—	—	—	(0.1)	—	(0.1)	—		(0.1)	—
Net loss	—	—	—	—	(17.4)	—	(17.4)	(2.5)	(19.9)	(0.2)			
Other comprehensive loss	—	—	—	—	—	(1.0)	(1.0)	(0.1)	(1.1)	—			
Balance as of March 31, 2024	79.9	0.1	\$ 327.7	\$ (5.4)	\$ (504.7)	\$ (2.1)	\$ (184.4)	\$ 11.2	\$ (173.2)	\$ 38.6			

	Total												
	Common Stock				Additional				Accumulated		INNOVATE	Total	
	Paid-In Capital	Treasury Stock	Accumulated Deficit	Income (Loss) (a)	Stockholders' (Deficit) Equity	Interest	Stockholders' (Deficit) Equity	Temporary Equity					
	Shares	Amount	Capital	Stock	Deficit	(a)	Equity						
Common Stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of December 31, 2022	78.8	\$ 0.1	\$ 330.1	\$ (5.3)	\$ (452.1)	\$ 5.9	\$ (121.3)	\$ 30.7	\$ (90.6)	\$ 61.0			
Balance as of December 31, 2022	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation	Share-based compensation	—	2.0	—	—	2.0	—	2.0	—	—			
Taxes paid in lieu of shares issued for share-based compensation	—	—	2.0	—	—	2.0	—	2.0	—	—			
Taxes paid in lieu of shares issued for share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—

Taxes paid in lieu of shares issued for share-based compensation	Taxes paid in lieu of shares issued for share-based compensation	(0.1)	—	—	(0.1)	—	—	(0.1)	—	(0.1)	—
Preferred stock dividends	Preferred stock dividends	—	—	(1.3)	—	—	—	(1.3)	—	(1.3)	(0.9)
Issuance of common stock	Issuance of common stock	0.5	—	—	—	—	—	—	—	—	—
Distributions to non-controlling interests	Distributions to non-controlling interests	—	—	—	—	—	—	(10.7)	(10.7)	(5.2)	
Transactions with non-controlling interests											
Transactions with non-controlling interests											
Transactions with non-controlling interests											
DBMGI preferred stock reclass to liability											
Transactions with non-controlling interests		—	—	(3.0)	—	—	—	(3.0)	3.0	—	—
DBMGI preferred stock liability repurchase		—	—	—	—	—	—	—	—	—	(41.8)
Net (loss) income											
Net (loss) income											
Net (loss) income	Net (loss) income	—	—	—	—	(25.9)	—	(25.9)	2.0	(23.9)	(4.4)
Other comprehensive loss											
Other comprehensive loss	Other comprehensive loss	—	—	—	—	—	(8.3)	(8.3)	(2.3)	(10.6)	(0.4)
Balance as of September 30, 2023		79.2	\$ 0.1	\$ 327.8	\$ (5.4)	\$ (478.0)	\$ (2.4)	\$ (157.9)	\$ 22.7	\$ (135.2)	\$ 8.3
Other comprehensive loss											
Balance as of March 31, 2023											

(a) Inclusive of other comprehensive (loss) income, loss, foreign currency cumulative translation adjustments totaled a loss of \$3.6 \$3.3 million and \$2.4 million as of September 30, 2023, March 31, 2024 and December 31, 2023, respectively.

**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(Uaudited, in millions)

	Total											
	Common Stock		Additional		Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) (a)	INNOVATE Stockholders' (Deficit) Equity		Non-controlling Interest	Stockholders' (Deficit) Equity	Temporary Equity
	Shares	Amount	Paid-In Capital									
Balance as of June 30, 2022	78.4	\$ 0.1	\$ 330.7	\$ (5.2)	\$ (441.0)	\$ 4.7	\$ (110.7)	\$ 26.6	\$ (84.1)	\$ 65.0		
Share based compensation expense	—	—	0.4	—	—	—	—	0.4	—	0.4	—	
Preferred stock dividends	—	—	(0.9)	—	—	—	—	(0.9)	—	(0.9)	(0.3)	
Transactions with non-controlling interests	—	—	—	—	—	—	—	—	(0.2)	(0.2)	0.1	
Net (loss) income	—	—	—	—	(5.4)	—	(5.4)	0.6	(4.8)	(1.9)	—	
Other comprehensive loss	—	—	—	—	—	(1.8)	(1.8)	(0.1)	(1.9)	—	—	
Balance as of September 30, 2022	78.4	\$ 0.1	\$ 330.2	\$ (5.2)	\$ (446.4)	\$ 2.9	\$ (118.4)	\$ 26.9	\$ (91.5)	\$ 62.9		

	Total													
	Common Stock		Additional		Treasury		Accumulated		INNOVATE		Non-		Total	
	Shares	Amount	Paid-In	Capital	Stock	Deficit	Other	Comprehensive	Stockholders'	Stockholders'	controlling	Stockholders'	(Deficit) Equity	Temporary
Balance as of December 31, 2021	77.8	\$ 0.1	\$ 330.6	\$ (5.2)	\$ (416.2)	\$ 6.4	\$ (84.3)	\$ 28.1	\$ (56.2)	\$ 68.1				
Share-based compensation	—	—	1.7	—	—	—	—	1.7	—	1.7	—	—	—	
Fair value adjustment to redeemable non-controlling interest	—	—	0.1	—	—	—	—	0.1	—	0.1	—	—	(0.1)	
Preferred stock dividend	—	—	(1.7)	—	—	—	—	(1.7)	(1.3)	(3.0)	—	—	(0.9)	
Issuance of common stock	0.6	—	—	—	—	—	—	—	—	—	—	—	—	
Issuance of preferred stock	—	—	(0.9)	—	—	—	—	(0.9)	—	(0.9)	—	—	0.9	
Transactions with non-controlling interests	—	—	0.1	—	—	—	—	0.1	(0.4)	(0.3)	—	—	0.2	
Other	—	—	0.3	—	—	—	—	0.3	—	0.3	—	—	—	
Net (loss) income	—	—	—	—	(30.2)	—	—	(30.2)	0.8	(29.4)	—	—	(5.3)	
Other comprehensive loss	—	—	—	—	—	(3.5)	(3.5)	(0.3)	(3.8)	—	—	—	—	
Balance as of September 30, 2022	78.4	\$ 0.1	\$ 330.2	\$ (5.2)	\$ (446.4)	\$ 2.9	\$ (118.4)	\$ 26.9	\$ (91.5)	\$ 62.9				

(a) Inclusive of other comprehensive (loss) income, foreign currency cumulative translation adjustments totaled income of \$1.7 million as of September 30, 2022.

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**INNOVATE CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Uaudited, in millions)

		Nine Months			
		Ended September 30,			
		2023	2022		
		Three Months	Ended March 31,	Three Months Ended March 31,	
		2024	2024	2023	
Cash flows from operating activities	Cash flows from operating activities				
Net loss	Net loss	\$ (28.3)	\$ (34.7)		
Net loss					
Net loss					
Adjustments to reconcile net loss to cash used in operating activities	Adjustments to reconcile net loss to cash used in operating activities				
Share-based compensation expense	Share-based compensation expense				
Share-based compensation expense	Share-based compensation expense	2.0	1.7		
Depreciation and amortization (including amounts in cost of revenue)	Depreciation and amortization (including amounts in cost of revenue)	27.7	31.8		

Amortization of deferred financing costs and debt discount	Amortization of deferred financing costs and debt discount	4.8	3.2
Loss on debt extinguishment			
Loss on debt extinguishment			
Loss on debt extinguishment			
Loss from equity investees			
Loss from equity investees			
Loss from equity investees			
Realized and unrealized gains on equity method investments			
Deferred income tax expense (benefit)			
Deferred income tax expense (benefit)			
Deferred income tax expense (benefit)			
Loss from equity investees		5.8	2.1
Gain on sale and step-up of equity method investments		(16.0)	—
Asset impairment expense		0.6	2.0
Deferred income taxes		(5.3)	1.2
Other operating activities, net			
Other operating activities, net	Other operating activities, net	1.3	(2.7)
Changes in assets and liabilities, net of acquisitions:			
Other operating activities, net			
Changes in assets and liabilities:			
Accounts receivable			
Accounts receivable	Accounts receivable	(37.4)	(77.0)
Contract assets	Contract assets	(5.9)	(37.4)
Other current assets	Other current assets	(2.5)	(1.1)
Inventory	Inventory	0.3	(3.7)
Other assets	Other assets	8.5	10.2
Accounts payable	Accounts payable	(52.8)	31.5
Accrued liabilities	Accrued liabilities	10.4	(5.6)
Contract liabilities	Contract liabilities	63.6	16.3
Other current liabilities	Other current liabilities	(8.7)	(4.9)
Other liabilities	Other liabilities	(2.8)	(5.1)

Cash used in operating activities	Cash used in operating activities	(34.7)	(72.2)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	Purchase of property, plant and equipment	(13.9)	(16.3)
Purchase of property, plant and equipment			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment	Proceeds from disposal of property, plant and equipment	1.5	1.9
Loans to equity method investee	Loans to equity method investee	(1.0)	(4.5)
Proceeds from sale of equity method investments			
Proceeds from sale of equity method investments			
Proceeds from sale of equity method investments			
Proceeds from the sale of equity method investment		54.2	—
Other investing activities	Other investing activities	0.4	0.6
Cash provided by (used in) investing activities			
Other investing activities			
Other investing activities			
Cash (used in) provided by investing activities			
<b>Cash flows from financing activities</b>			
Proceeds from line of credit		87.0	176.8
Payments on line of credit		(77.0)	(85.1)
Proceeds from issuance of preferred stock			
Proceeds from issuance of preferred stock			
Proceeds from issuance of preferred stock			
Proceeds from lines of credit			
Payments on lines of credit			
Proceeds from other debt obligations, net of deferred financing costs	Proceeds from other debt obligations, net of deferred financing costs	5.3	9.9

Principal payments on other debt obligations	Principal payments on other debt obligations	(20.8)	(23.7)
Purchase of preferred stock		(7.0)	—
Payments to non-controlling interests and redeemable non-controlling interests related to sale of equity method investment			
Payments to non-controlling interests and redeemable non-controlling interests related to sale of equity method investment			
Payments to non-controlling interests and redeemable non-controlling interests related to sale of equity method investment	Payments to non-controlling interests and redeemable non-controlling interests related to sale of equity method investment	(15.9)	—
Dividend payments	Dividend payments	(1.8)	(3.9)
Other financing activities	Other financing activities	(0.4)	(0.8)
Cash (used in) provided by financing activities		(30.6)	73.2
Cash used in financing activities			
Effects of exchange rate changes on cash, cash equivalents and restricted cash	Effects of exchange rate changes on cash, cash equivalents and restricted cash	(1.0)	(2.5)
Net decrease in cash and cash equivalents, including restricted cash	Net decrease in cash and cash equivalents, including restricted cash	(25.1)	(19.8)
Cash, cash equivalents and restricted cash, beginning of period	Cash, cash equivalents and restricted cash, beginning of period	82.2	47.5
Cash, cash equivalents and restricted cash, end of period	restricted cash, end of period	\$ 57.1	\$ 27.7

The accompanying notes are an integral part of these condensed consolidated financial statements.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited) (Unaudited)**

**1. Organization and Business**

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**REFINITIV** 

INNOVATE Corp. ("INNOVATE" and, together with its consolidated subsidiaries, the "Company", "we" and "our") is a diversified holding company that has a portfolio of subsidiaries in a variety of operating segments. We seek to grow these businesses so that they can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. While the Company generally intends to acquire controlling equity interests in its operating subsidiaries, the Company may invest to a limited extent in a variety of non-controlling equity interest positions or debt instruments. The Company's shares of common stock trade on the **NYSE** New York Stock Exchange ("NYSE") under the symbol "VATE".

The Company currently has three reportable segments, plus our Other segment, based on management's organization of the enterprise: Infrastructure, Life Sciences, Spectrum, and Other which includes businesses that do not meet the separately reportable segment thresholds.

1. Our Infrastructure segment is comprised of DBM Global Inc. ("DBMG") and its wholly-owned subsidiaries. DBMG is a fully integrated industrial construction, structural steel and facility maintenance provider that provides fabrication and erection of structural steel and heavy steel plate services and also fabricates trusses and girders and specializes in the fabrication and erection of large-diameter water pipe and water storage tanks, as well as 3-D Building Information Modeling ("BIM") and detailing. DBMG provides these services on commercial, 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, metal processing, refineries, pulp and paper mills and power plants. Through GrayWolf Industrial Inc. ("GrayWolf"), DBMG provides integrated solutions for digital engineering, modeling and detailing, construction, heavy equipment installation and facility services including maintenance, repair, and installation to a diverse range of end markets. Through Aitken Manufacturing, Inc., DBMG manufactures pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters, separators and a variety of customized products. Through Banker Steel Holdco, LLC ("Banker Steel"), DBMG provides full-service fabricated structural steel and erection services primarily for the East Coast and Southeast commercial and industrial construction market, in addition to full design-assist services. The Company maintains **approximately 91%** **a 91.2%** controlling interest in DBMG.

2. Our Life Sciences segment is comprised of Pansend Life Sciences, LLC ("Pansend"), its subsidiaries and **its equity method** investments. Pansend maintains controlling interests of **approximately 80%** **80.0%** in Genovel Orthopedics, Inc. ("Genovel"), which seeks to develop products to treat early osteoarthritis of the knee and **approximately 57%** **56.8%** in R2 Technologies, Inc. ("R2") **R2 Technologies**, which develops aesthetic and medical technologies for the skin. Pansend also invests in other early stage or developmental stage healthcare companies **including an approximately 46%** and, as of March 31, 2024, **had a 46.0%** interest in MediBeacon Inc. ("MediBeacon"), a medical technology company specializing in the advances of fluorescent tracer agents and transdermal measurement, potentially enabling real-time, direct monitoring of kidney function, **and an approximately 26%** **a 1.9%** **fully diluted** interest in Triple Ring Technologies, Inc. ("Triple Ring"), a science and technology co-development **company**, **company**, and a 20.1% interest in Scaled Cell Solutions, Inc. ("Scaled Cell"), an immunotherapy **company** developing a novel autologous cell therapy system to potentially improve current CAR-T treatments.

3. Our Spectrum segment is comprised of HC2 Broadcasting Holdings Inc. ("Broadcasting") and its subsidiaries. Broadcasting strategically acquired and operates over-the-air broadcasting stations across the United States. The Company maintains **a 98%** **98.0%** controlling interest in Broadcasting and maintains a controlling interest of approximately **77%** **69.2%**, inclusive of **approximately 10%** **2.8%** proxy and voting rights from minority holders of DTV America Corporation ("DTV"). On a fully diluted basis, the Company would have **an approximately 86%** **a 85.8%** controlling interest in Broadcasting.

4. Our Other segment represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate. Included in the Other segment is TIC Holdco, Inc. ("TIC"), **which is developing a multi-purpose cultural and performing arts space in Palm Beach, Florida**, the former Marine Services segment, which includes its holding company, Global Marine Holdings, LLC ("GMH"), in which the Company maintains an approximately 73% **a 72.8%** controlling interest. GMH's **prior period** results **include included** its subsidiary's prior **19%** **19.0%** equity method investment in HMN International Co., Ltd., formerly known as Huawei Marine Networks Co. ("HMN"), until it was sold on March 6, 2023. Refer to Note 6. Investments for additional information.

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of the Company, its wholly owned subsidiaries and all other subsidiaries over which the Company exerts control. All intercompany profits, transactions and balances have been eliminated in consolidation. The remaining interests not owned by the Company are presented as a non-controlling interest component of total equity.

### Basis of Presentation and Liquidity

The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Certain information and note disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted in these interim unaudited financial statements pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

These interim financial statements should be read in conjunction with the Company's annual audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023**, filed with the SEC on **March 14, 2023** **March 6, 2024**. The results of operations for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending **December 31, 2023** **December 31, 2024**.

### Subsequent Liquidity

On March 8, 2024, the Company commenced a \$19.0 million rights offering ("Rights Offering") for its common stock. Pursuant to quarter end, on November 7, 2023 the Rights Offering, the Company distributed to each holder of the Company's common stock, Series A-3 Convertible Participating Preferred Stock, Series A-4 Convertible Participating Preferred Stock and the 2026 Convertible Notes

as of March 6, 2024 (the "rights offering record date"), transferable subscription rights to purchase 0.2858 shares of the Company's common stock at a price of \$0.70 per whole share.

Per the concurrent investment agreement entered into with Lancer Capital LLC ("Lancer" (the "Investment Agreement"), a related party and the Rights Offering was backstopped by Lancer Capital, an entity controlled investment fund led by Avram A. Glazer, the Chairman of INNOVATE's Board of Directors and a beneficial owner the Company's largest stockholder. Due to limitations on the common stock that can be issued to Lancer Capital under the rules of the Company, provided a letter New York Stock Exchange ("NYSE"), in lieu of support for exercising its subscription rights, pursuant to the Investment Agreement, Lancer Capital would purchase up to \$19.0 million of the Company's newly issued Series C Non-Voting Participating Convertible Preferred Stock (the "Series C Preferred Stock"), for an issue price of \$1,000 per share. In connection with the backstop commitment, and as a result of limitations in the amount common equity that can be raised under the Company's effective shelf registration statement on Form S-3, Lancer Capital also agreed to purchase an additional \$16.0 million of Series C Preferred Stock in a private placement transaction ("Concurrent Private Placement") to close concurrently with the settlement of the Rights Offering. Lancer Capital did not receive any compensation or other consideration for entering into or consummating the Investment Agreement.

As the Rights Offering had not yet settled by March 28, 2024, in accordance with the Investment Agreement, Lancer Capital purchased \$25.0 million of Series C Preferred Stock, referred to as the "equity advance." Subsequent to quarter end, on April 24, 2024, the Company completed and closed on the Rights Offering and issued a total of 5,306,105 shares of common stock for approximately \$3.7 million. Based on the number of shares of common stock actually sold upon exercise of the rights to third party investors, there were no excess shares of Series C Preferred Stock purchased by Lancer Capital under the equity advance that the Company was required to redeem, and Lancer Capital purchased an additional approximately 6,286 Series C Preferred Stock for \$6.3 million under the backstop commitment. The total gross proceeds received subsequent to quarter end were \$10.0 million.

The Company received \$35.0 million in aggregate gross proceeds related to the Company expressing Lancer's continued support for Rights Offering and Concurrent Private Placement. As of March 31, 2024, the Company had incurred \$1.8 million in dealer manager fees and Lancer's intent other costs related to facilitate the provision Rights Offering and Concurrent Private Placement, of which \$1.3 million was allocated to the Series C Preferred Stock and \$0.5 million was recognized as an offset to Additional paid in capital. An additional funding as reasonably requested by \$0.3 million in costs were incurred subsequent to quarter end. INNOVATE expects to use the Board through November 30, 2024 or net proceeds from the date on which the Company closes any sale or series of sales of Rights Offering for general corporate purposes, including debt or equity security raised service and for working capital. As a result of the Company, as defined closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the letter, resulting in aggregate amount of the greater of \$3.0 million or 12.5% of the net proceeds proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the Company of greater than or equal to \$35.0 million. Management CGIC Unsecured Note.

At this time, management believes that with the available cash on hand, available borrowings under the senior credit facility, distributions from the Company's subsidiaries and the letter of support from Lancer, the Company will be able to continue to meet its liquidity requirements and fund its fixed obligations (such as debt service and operating leases) and other cash needs for its operations for at least the next twelve months from the issuance of these unaudited Condensed Consolidated Financial Statements.

Statements through a combination of available cash on hand, distributions from the Company's subsidiaries and the rights offering together with the back-stop and private placement commitments from Lancer Capital under the Investment Agreement. The ability of INNOVATE's subsidiaries to make distributions to INNOVATE is subject to numerous factors, including restrictions contained in each subsidiary's financing agreements, availability of sufficient funds at each subsidiary and the approval of such payment by each subsidiary's board of directors, which must consider various factors, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors each subsidiary's board of directors considers relevant. Although the Company believes, to the extent needed, that it will be able to raise additional debt or equity capital, refinance indebtedness or preferred stock, enter into other financing arrangements or engage in asset sales and sales of certain investments sufficient to fund any cash needs that the Company is not able to satisfy with the funds on hand or expected to be provided by our subsidiaries, there can be no assurance that it will be able to do so on terms satisfactory to the Company, if at all. Such financing options, if pursued, may also ultimately have the effect of negatively impacting our liquidity profile and prospects over the long-term and dilute holders of common stock. Our ability to sell assets and certain of our investments to meet our existing financing needs may also be limited by our existing financing instruments. In addition, the sale of assets or the Company's investments may also make the Company less attractive to potential investors or future financing partners.

#### Use of Estimates and Assumptions

The preparation of the Company's unaudited Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

#### Recent Accounting Pronouncements

##### Accounting Pronouncements Adopted in the Current Year

##### Credit Loss Standard

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This new standard and its related amendments change the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables and contract assets, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the new expected loss model, which is based on historical experience, current conditions and reasonable and supportable forecasts, entities recognize estimated credit losses over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred.

The adoption of ASU 2016-13 and its related amendments on January 1, 2023, did not have any effect on the Company's Condensed Consolidated Financial statements and did not record any effects through retained earnings. For the amounts calculated for the Current Expected Credit Loss ("CECL") model subsequent to initial transition, the Company recognizes the expense in the Condensed Consolidated Statements of Operations, and the amount is presented within general and administration costs rather than a separate line. Refer to Note 4. Accounts Receivable, Net.

The Company reviewed its entire portfolio of assets recognized on the balance sheet as of January 1, 2023, and identified Accounts Receivable and Contract Assets as the material impacted assets in scope of Topic 326. The risk of credit losses from the remaining portfolio of assets was concluded to be immaterial. Accounts Receivable and Contract Assets are presented net of allowances for credit losses. Refer to Note 4. Accounts Receivable, Net. At each balance sheet date, all potentially uncollectible accounts are assessed individually for the purpose of determining the appropriate provision for doubtful accounts. Management has elected to use a risk-based, pool-level segmentation framework to calculate the expected loss rate. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Company's historical loss ratio or its determination of risk pools may be adjusted for changes in customer,

economic, market or other circumstances. The Company may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate.

INNOVATE CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED  
(Unaudited)

**Accounting Pronouncements Issued But Pending Adoption**

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements* ("ASU 2023-01") to improve the guidance for applying Topic 842, Leases, to related party arrangements between entities under common control. ASU 2023-01 improves current GAAP by clarifying the accounting for leasehold improvements associated with common control leases, thereby reducing diversity in practice. The provisions of this ASU that apply to public companies include a requirement for entities to amortize leasehold improvements associated with common control leases over the useful life of the common control group. The Company adopted this update as of January 1, 2024, and the update did not have an impact on the Company's Condensed Consolidated Financial Statements.

**Accounting Pronouncements Issued But Pending Adoption**

On December 14, 2023, the FASB issued ASU 2023-01 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 improves income tax disclosure requirements related to rate reconciliation income taxes paid and other miscellaneous tax disclosures to enhance their transparency and decision usefulness to investors. ASU 2023-09 is effective for fiscal years and for interim periods within those fiscal years, beginning after December 15, 2023 December 15, 2024, with early adoption permitted. The Company is currently evaluating this ASU, but does not expect ASU 2023-01 to which will only have a material effect on the disclosures within the Company's consolidated financial statements. Condensed Consolidated Financial Statements.

On November 27, 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 improves reportable segment disclosure requirements to enable investors to better understand an entity's overall performance, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating this ASU, which will only have an effect on the disclosures within the Company's Condensed Consolidated Financial Statements.

On October 9, 2023, the FASB issued ASU 2023-06 *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"), which modifies certain disclosure and presentation requirements of a variety of Topics in the Codification and is intended to both clarify or improve such requirements and align the requirements with the SEC's regulations. The Company is in the process of evaluating the amendments provided in the Update this ASU and believes certain of the disclosure improvements may be applicable to the Company's interim or annual disclosures, for example, disclosures related to: earnings-per-share computation for dilutive securities, preferred stock, amounts and terms of unused lines of credit and unfunded commitments and the weighted-average interest rate on short-term borrowings. The effective date for each amendment is the effective date of the removal of the related disclosure from Regulation S-X or Regulation S-K, with early adoption prohibited. The Company will apply the provisions prospectively as such provisions become effective and does not expect ASU 2023-06 to have a material impact on the consolidated Company's Condensed Consolidated Financial Statements.

**Recent Climate Related Disclosures**

On March 6, 2024, the Securities and Exchange Commission ("SEC") published final rules mandating climate-related disclosures in companies' annual reports and registration statements. The quantitative and qualitative disclosures required for registrants include the material impacts of climate-related risks over their business strategy and operations; their risk management and governance process over climate-related risks; climate-related goals material to their business strategy and operations, if any; material expenditures and impact on financial estimates resulting from their climate-related risk management process; financial information regarding severe weather events as well as carbon offsets and renewable energy credits, if applicable; and metrics surrounding Greenhouse Gas ("GHG") emissions. Of these disclosures, the requirement surrounding GHG emissions does not apply to smaller reporting companies ("SRCs"). In October 2023, California passed climate-related disclosure mandates which are similar to but broader than the SEC's proposed rules. The SEC's final rules applicable to SRCs are effective as of January 1, 2027, while the regulations under California's disclosure mandates are effective as of January 1, 2026. The Company is currently evaluating these pending climate-related disclosure requirements which will only have an impact on the disclosures within the Company's annual reports and registration statements.

**Subsequent Events**

ASC 855, *Subsequent Events* requires the Company to evaluate events that occur after the balance sheet date as of which the financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. Refer to Note 21. Subsequent Events for reference to any subsequent events. Events.

INNOVATE CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

**3. Revenue and Contracts in Process**

Revenue from contracts with customers consists of the following (in millions):

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,		
	2023	2022	2023	2023	2022
Revenue from contracts with customers					
Three Months Ended September 30,					
2023	2023	2022			
Nine Months Ended September 30,					
2023	2023	2022			

Revenue							
Infrastructure							
Infrastructure							
Infrastructure	Infrastructure		\$ 369.3	\$ 412.7	\$ 1,043.4	\$ 1,197.0	
Life							
Sciences	Life Sciences		0.6	1.2	1.8	3.0	
Spectrum	Spectrum		5.4	9.1	16.8	28.0	
Total							
revenue	Total revenue		\$ 375.3	\$ 423.0	\$ 1,062.0	\$ 1,228.0	
Total revenue							
Total revenue							

Accounts receivables, net, from contracts with customers consist of the following (in millions):

	March		March 31,		December 31,
	31,		2024		2023
Infrastructure	September 30, 2023		December 31, 2022		
Accounts receivables with customers	September 30, 2023		December 31, 2022		
Infrastructure					
Infrastructure	Infrastructure	\$ 280.8	\$ 244.5		
Life Sciences	Life Sciences	0.4	0.8		
Spectrum	Spectrum	1.8	5.1		
Total accounts receivables with customers	Total accounts receivables with customers	\$ 283.0	\$ 250.4		

As of January 1, 2022 January 1, 2023, total accounts receivable, net, from contracts with customers were \$236.5 \$250.4 million.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

**Infrastructure Segment**

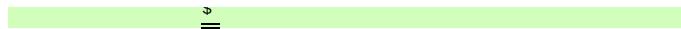
The following table disaggregates DBMG's revenue by market (in millions):

	Three Months Ended March 31,					
	Three Months Ended March 31,					
	Three Months Ended March 31,					
	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023		2024	2023
Transportation	2023	2022	2023	2022		
Industrial						
Commercial	Commercial	\$ 100.6	\$ 187.3	\$ 311.4	\$ 643.9	

Industrial	115.9	96.3	322.7	270.5
Transportation	75.5	15.0	176.7	32.9
Healthcare	Healthcare	38.3	36.0	114.4
Convention	Convention	35.5	55.5	97.0
Government				
Energy				
Leisure	Leisure	0.9	7.9	5.5
Government		1.6	10.9	8.2
Other		1.0	3.7	7.0
Total	Total			
revenue from contracts with customers	revenue from contracts with customers	369.3	412.6	1,042.9
Other revenue	Other revenue	—	0.1	0.5
Total Infrastructure segment revenue	Total Infrastructure segment revenue	\$369.3	\$412.7	\$1,043.4
				\$1,197.0

Contract assets and contract liabilities and recognized earnings consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Costs incurred on contracts in progress	Costs incurred on contracts in progress	\$ 2,890.6	\$ 2,503.3		
Estimated earnings	Estimated earnings	492.8	378.9	548.2	510.1
Contract revenue earned on uncompleted contracts	Contract revenue earned on uncompleted contracts	3,383.4	2,882.2		
Less: progress billings	Less: progress billings	3,374.6	2,815.7		
	\$	\$ 8.8	\$ 66.5		
The above is included in the accompanying Condensed Consolidated Balance Sheets under the following line items:					
The above is included in the accompanying Condensed Consolidated Balance Sheets under the following line items:					
Contract assets	Contract assets	\$ 171.0	\$ 165.1		
Contract liabilities	Contract liabilities	(162.2)	(98.6)		
	\$	\$ 8.8	\$ 66.5		



	September 30, 2023	December 31, 2022
Cost in excess of billings	\$ 111.8	\$ 90.7
Conditional retainage	59.2	74.4
Contract assets	171.0	165.1
Billings in excess of costs	(226.5)	(152.0)
Conditional retainage	64.3	53.4
Contract liabilities	(162.2)	(98.6)

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

	March 31, 2024	December 31, 2023
Cost in excess of billings and estimated earnings	\$ 46.4	\$ 73.8
Conditional retainage	35.8	44.8
Contract assets	82.2	118.6
Billings in excess of costs and estimated earnings	(194.5)	(229.3)
Conditional retainage	69.1	75.8
Contract liabilities	(125.4)	(153.5)

As of **January 1, 2022** **January 1, 2023**, contract assets were **\$118.6** **\$165.1** million and contract liabilities were **\$79.1** **\$98.6** million.

The change in contract assets from December 31, 2022 to September 30, 2023 during the three months ended March 31, 2024 is a result of the recording of **\$200.9 million** **\$15.7 million** of contract assets driven by new commercial projects, offset by **\$195.0 million** **\$52.1 million** of contract assets transferred to receivables from contract assets recognized at the beginning of the period.

The change in contract liabilities during the three months ended March 31, 2024 is a result of the recording of periodic contract liabilities of **\$154.8 million** **\$62.9 million** driven largely by new commercial projects, offset by revenue recognized that was included in the contract liability balance at the beginning of the period in the amount of **\$91.2 million** **\$91.0 million**.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
(Unaudited)

*Transaction Price Allocated to Remaining Unsatisfied Performance Obligations*

As of **September 30, 2023** **March 31, 2024**, the transaction price allocated to remaining unsatisfied performance obligations consisted of the following (in millions):

		Within One Year	Within Five Years	Total
		Year	Total	
Healthcare	Healthcare	\$ 202.2	\$ 271.9	\$ 474.1
Commercial				
Industrial	Industrial	265.5	12.5	278.0
Transportation	Transportation	235.5	58.9	294.4
Commercial		171.9	3.1	175.0
Government				
Convention	Convention	23.8	—	23.8
Other		2.7	—	2.7
Government		5.2	0.8	6.0
Energy				
Leisure	Leisure	3.3	—	3.3
Remaining unsatisfied performance obligations	Remaining unsatisfied performance obligations	<u>\$ 910.1</u>	<u>\$ 347.2</u>	<u>\$ 1,257.3</u>

DBMG's remaining unsatisfied performance obligations increase with awards of new contracts and decrease as it performs work and recognizes revenue on existing contracts. DBMG includes a project within its remaining unsatisfied performance obligations at such time the project is awarded and agreement on contract terms has been reached. DBMG's remaining unsatisfied performance obligations include amounts related to contracts for which a fixed price contract value is not assigned when a reasonable estimate of total transaction price can be made. DBMG expects to recognize this revenue approximately within the next 3.0 years.

Remaining unsatisfied performance obligations include unrecognized revenues to be realized from uncompleted construction contracts. Although many of DBMG's contracts are subject to cancellation at the election of its customers, in accordance with industry practice, DBMG does not limit the amount of unrecognized revenue included within its remaining unsatisfied performance obligations due to the inherent substantial economic penalty that would be incurred by its customers upon cancellation.

#### **Life Sciences Segment**

The following table disaggregates the Life Sciences segment's revenue by type (in millions):

		Nine Months			
		Three Months	Ended		
		Ended	September		
September 30,		30,			
2023		2022	2023	2023	2022
Three Months					
Ended March					
31,					
Three Months					
Ended March					
31,					
Three Months					
Ended March					
31,					
2024				2024	
2023					
Systems and consumables	Systems and consumables				
revenue	revenue	\$ 0.6	\$ 1.2	\$ 1.8	\$ 3.0
Total Life Sciences segment revenue	Total Life Sciences segment revenue	\$ 0.6	\$ 1.2	\$ 1.8	\$ 3.0
Total Life Sciences segment revenue	Total Life Sciences segment revenue				
Total Life Sciences segment revenue	Total Life Sciences segment revenue				

#### **INNOVATE CORP.**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

#### **Spectrum Segment**

The following table disaggregates the Spectrum segment's revenue by type (in millions):

		Three Months			
		Ended March			
		31,			
2024		2024		2024	2023
Three Months					
Ended March					
31,					
Three Months					
Ended March					
31,					
Three Months					
Ended March					
31,					

Broadcast station		Nine Months			
		Three Months Ended	Ended September		
		September 30,	30,		
Other		2023	2022	2023	2022
Broadcast station		\$ 5.4	\$ 4.7	\$ 16.2	\$ 14.2
Network advertising		—	3.4	—	10.7
Network distribution		—	0.8	—	2.2
Other	Other	—	0.2	0.6	0.9
Total Spectrum segment revenue	Total Spectrum segment revenue	\$ 5.4	\$ 9.1	\$ 16.8	\$ 28.0
Total Spectrum segment revenue					
Total Spectrum segment revenue					

#### Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

As of **September 30, 2023** **March 31, 2024**, the transaction price allocated to remaining unsatisfied performance obligations consisted of **\$11.9 million** **\$15.3 million** of broadcast station revenues of which **\$5.1 million** **\$8.5 million** is expected to be recognized within one year and \$6.8 million is expected to be recognized within the next **4** **3** years.

On December 31, 2022, Broadcasting shut-down the operations and broadcasting of the Azteca America network and, had terminated both the PLA and BSA with TV Azteca. HC2 Network did not qualify for discontinued operations presentation as HC2 Network was not significant to the Company, did not represent a strategic shift and will not have a major effect on the Company's operations and financial results. As a result of the cessation of the Azteca operations, the Company no longer has any unsatisfied performance obligations related to network advertising or network distribution.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED (Unaudited)

#### 4. Accounts Receivable, Net

Accounts receivable, net, consisted of the following (in millions):

March 31, 2024		March 31, 2024		December 31, 2023
		September 30, 2023	December 31, 2022	
Contracts in progress				
Contracts in progress				
Contracts in progress	Contracts in progress	\$ 280.8	\$ 244.8	
Unbilled retentions	Unbilled retentions	—	0.2	
Trade receivables	Trade receivables	2.6	5.9	
Other receivables	Other receivables	7.8	4.5	
Allowance for expected credit losses <sup>(1)(2)</sup>		(0.4)	(0.5)	
Allowance				

for  
expected  
credit  
losses (1)

Total	Total	\$ 290.8	\$ 254.9
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(1) Allowance for doubtful accounts as of December 31, 2022, prior to the adoption of ASU 2016-13.

(2) There was no change to the allowance for expected credit losses as a result of the adoption of ASU 2016-13 on January 1, 2023.

As of January 1, 2023, total accounts receivable, net were \$254.9 million.

For both the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized a net provision reversal of provisions for expected credit losses of \$2.4 million and \$2.3 million, respectively. For the three and nine months ended September 30, 2022, the Company recognized provisions for doubtful accounts of zero and \$0.5 million, respectively, \$0.1 million. Direct write-downs of accounts receivable charged against the allowance totaled \$2.2 \$0.2 million and \$0.8 million zero for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

## 5. Inventory

Inventory consisted of the following (in millions):

	March		March 31,	
	31,		2024	December 31, 2023
	September			
	30,		December	
	2023		31, 2022	
Raw materials and consumables				
Raw materials and consumables				
Raw materials and consumables	\$ 17.0		\$ 15.7	
Work in process	Work in process		0.8	1.2
Finished goods	Finished goods		0.8	2.0
Total inventory	Total inventory		\$ 18.6	\$ 18.9

## 6. Investments

The carrying values of the Company's investments were as follows (in millions):

	September 30, 2023				
	Measurement Alternative(1)	Equity Method	Fair Value	Total	
Common stock	\$ —	\$ 2.4	\$ —	\$ 2.4	
Preferred stock and fixed maturities	—	—	4.6	4.6	
Total	\$ —	\$ 2.4	\$ 4.6	\$ 7.0	

	December 31, 2022				
	Measurement Alternative(1)	Equity Method	Fair Value	Total	
Common stock	\$ —	\$ 3.0	\$ —	\$ 3.0	
Preferred stock and fixed maturities	—	—	4.6	4.6	
Put option	11.3	—	—	11.3	
Investment in securities	—	40.6	—	40.6	
Total	\$ 11.3	\$ 43.6	\$ 4.6	\$ 59.5	

	Common Stock Investments				
	Measurement Alternative <sup>(1)</sup>	Equity Method	Fair Value	Total	
March 31, 2024	\$ 0.9	\$ 0.9	\$ —	\$ 1.8	
December 31, 2023	\$ 0.9	\$ 0.9	\$ —	\$ 1.8	

(1) The Company accounts for its equity securities without readily determinable fair values under the measurement alternative election of ASC 321, whereby the Company can elect to measure an equity security without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value (net asset value) at its cost minus impairment, if any.

#### **Equity Method Investments**

The Company's equity method investments as of September 30, 2023 are comprised of investments in MediBeacon and Triple Ring, and, as of December 31, 2022, were comprised of investments in MediBeacon, Triple Ring and HMN.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

The Company's investments as of both March 31, 2024 and December 31, 2023 are comprised of investments in MediBeacon, Triple Ring and Scaled Cell. The Company's investments in Scaled Cell and MediBeacon are measured using the equity method of accounting and the Company's investment in Triple Ring is measured using the measurement alternative method.

The Company's share of net losses from its equity method investments totaled \$1.5 million \$1.2 million and \$1.1 million \$4.0 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. The Company's share of net losses from its equity method investments totaled \$5.8 million and \$2.1 million for the nine months ended September 30, 2023 and 2022, respectively. The Company accounts for its Triple Ring equity method investment results on a one-month lag basis.

#### **MediBeacon**

Pansend accounts for MediBeacon's its preferred stock as an investment in MediBeacon under the equity method investment, of accounting, inclusive of any fixed maturity securities (notes) issued by Pansend MediBeacon to MediBeacon. On March 15, 2022, Pansend. During the first quarter of 2024, MediBeacon issued an aggregate \$1.2 million of 12% convertible notes to Pansend, issued MediBeacon a \$4.5 million 8.0% convertible note due March 2025, increasing the total outstanding principal due to \$5.0 Pansend to \$10.9 million. On August 31, 2023 and September 13, 2023 As a result of these note issuances with MediBeacon during the three months ended March 31, 2024, Pansend recognized \$1.2 million of equity method losses which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero. Subsequent to quarter end, during April 2024, MediBeacon issued \$0.5 an additional aggregate \$1.1 million of 12.0% convertible notes to Pansend, with each note due to Pansend in three years from date of issuance.

For the three months ended March 31, 2024 and 2023, Pansend earned \$0.3 million and \$0.5 \$0.1 million, respectively, of 12% interest income from the MediBeacon convertible notes due September 2026 to MediBeacon, increasing the total outstanding principal to \$6.0 million. notes.

On February 23, 2023, pursuant to its amended commercial partnership As a result of an equity transaction at MediBeacon with Huadong Medicine Co. Ltd ("Huadong"), a publicly traded company on the Shenzhen Stock Exchange, MediBeacon issued \$7.5 million in the first quarter of its preferred stock to Huadong in exchange for additional shares of preferred stock, which decreased 2023, Pansend's ownership in MediBeacon decreased from approximately 47% 47.2% as of December 31, 2022 to approximately 46% subsequent to the transaction. As 46.2%, and as a result, of this equity transaction, Pansend recognized a gain of \$3.8 million in Other (expense) income, (expense), net in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2023, which increased Pansend's basis carrying amount of its investment in MediBeacon. Concurrently, Pansend recognized equity method losses of \$3.8 million which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero. During the month of September 2023, as a result of the additional \$1.0 million in 12% convertible notes issued to MediBeacon, Pansend recognized an additional \$1.0 million of equity method losses which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero. Cumulative unrecognized equity method losses relating to MediBeacon were \$7.5 million as of September 30, 2023.

As of September 30, 2023 March 31, 2024, Pansend's carrying amount of its investment in MediBeacon remains at zero, inclusive of the \$6.0 \$10.9 million in convertible notes.

For both the three months ended September 30, 2023 and 2022, Pansend earned \$0.1 million of interest income from the convertible secured promissory notes with MediBeacon, which have been offset against recognized losses, and for the nine months ended September 30, 2023 and 2022, Pansend earned \$0.3 million and \$0.2 million, respectively, of interest income.

Subsequent to quarter end, on October 25, 2023, Pansend issued an additional \$0.8 million 12% convertible note has cumulative unrecognized equity method losses relating to MediBeacon which is due October 24, 2026.

of \$8.7 million.

#### **HMN**

On March 6, 2023, the Company, through New Saxon 2019 Limited ("New Saxon"), an indirect subsidiary of GMH, closed on the sale of its remaining 19% interest in HMN to subsidiaries and an affiliate of Hengtong Optic-Electric Co Ltd. The sale was consummated pursuant to the terms of a supplemental agreement entered into by the parties in June 2022. New Saxon received gross proceeds of \$54.2 million and interest income of \$0.5 million, of which \$4.4 million was withheld for a foreign tax payment. Refer to Note 12, Income Taxes for additional information. As of September 30, 2023, payment, and \$15.9 million had been paid was distributed to GMH's non-controlling interest holders and redeemable non-controlling interest holders pursuant to the partnership agreement. New Saxon recognized a gain on sale of \$12.2 \$12.3 million, which is reflected included in Other (expense) income, (expense), net in the Condensed Consolidated Statements Statement of Operations for the nine three months ended September 30, 2023 March 31, 2023.

The following tables provide combined summarized unaudited financial information for the Company's equity method investments<sup>(a)</sup> (in millions):

	September 30, 2023		December 31, 2022	
Assets		\$ 62.8	\$ 786.4	
Liabilities		110.1	670.2	
Equity	\$ (47.3)		\$ 116.2	

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total revenues	\$ 6.5	\$ 149.8	\$ 53.3	\$ 359.1
Gross profit	\$ 2.7	\$ 23.1	\$ 17.8	\$ 68.0
Operating (loss) income	\$ (5.9)	\$ 2.5	\$ (18.0)	\$ 7.9
Net (loss) income	\$ (5.9)	\$ 0.1	\$ (19.5)	\$ 6.9

(1) Excludes the Assets and Liabilities of HMN as of September 30, 2023, and only includes the results of operations of HMN until the date of sale, March 6, 2023.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Unaudited)

#### 7. Property, Plant and Equipment, Net

Property, plant and equipment, net, ("PP&E") consisted of the following (in millions):

March		March 31,		December 31, 2023	
	31, 2024		2024		
Equipment, furniture and fixtures, and software	September 30, 2023	December 31, 2022			
Equipment, furniture and fixtures, and software	September 30, 2023	December 31, 2022			
Equipment, furniture and fixtures, and software	Equipment, furniture and fixtures, and software	\$ 205.8	\$ 196.0		
Building and leasehold improvements	Building and leasehold improvements	45.4	44.8		
Land	Land	25.9	26.1		
Construction in progress	Construction in progress	10.8	8.4		
Plant and transportation equipment	Plant and transportation equipment	8.1	8.2		
	\$ 296.0	\$ 283.5			
Less: Accumulated depreciation	Less: Accumulated depreciation	135.8	118.5		
Total	Total	\$ 160.2	\$ 165.0		

Depreciation expense was \$6.1 million \$6.5 million and \$6.6 million \$6.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. These amounts included \$3.8 million \$4.0 million and \$3.9 million of depreciation expense recognized within cost of revenue for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively.

Depreciation expense was \$18.5 million and \$19.3 million for the nine months ended September 30, 2023 and 2022, respectively. These amounts included \$11.8 million and \$11.2 million of depreciation expense recognized within cost of revenue for the nine months ended September 30, 2023 and 2022, 2023, respectively.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the net book value of equipment under finance leases included in PP&E was \$2.4 million \$0.9 million and \$2.1 million \$2.3 million, respectively. As of September 30, 2023 and December 31, 2022, the gross value of capitalized internal-use software included in PP&E was \$38.6 million and \$35.6 million,

respectively, and the net book value was \$6.3 million and \$5.6 million, respectively.

During the three

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

As of March 31, 2024 and nine months ended September 30, 2023 December 31, 2023, the Spectrum segment recorded \$0.5 \$3.8 million and \$3.1 million in asset impairment charges relating to certain redundant equipment and associated capitalized costs, which is reflected within Other operating loss (income) assets held-for-sale were presented separately in the Condensed Consolidated Statement Balance Sheet. As of Operations, March 31, 2024 assets held-for-sale primarily consisted of a building and land and their associated improvements at the Company's Infrastructure segment. As of December 31, 2023, assets held-for-sale primarily consisted of two buildings and their associated building improvements at the Company's Infrastructure segment.

#### 8. Goodwill and Intangibles, Net

##### Goodwill

The carrying amounts of goodwill by segment were as follows (in millions):

	Infrastructure	Spectrum	Total
Balance at December 31, 2022	\$ 105.7	\$ 21.4	\$ 127.1
Translation adjustment	(0.3)	—	(0.3)
<b>Balance as of September 30, 2023</b>	<b>\$ 105.4</b>	<b>\$ 21.4</b>	<b>\$ 126.8</b>

	Infrastructure	Spectrum	Total
Balance at December 31, 2023	\$ 105.7	\$ 21.4	\$ 127.1
Translation	(0.2)	—	(0.2)
<b>Balance as of March 31, 2024</b>	<b>\$ 105.5</b>	<b>\$ 21.4</b>	<b>\$ 126.9</b>

##### Indefinite-lived Intangible Assets

The carrying amounts of indefinite-lived intangible assets were as follows (in millions):

	March		March 31, 2024	December 31, 2023
	31, 2024	September 30, 2023		
FCC licenses				
FCC	FCC	FCC		
licenses	\$ 106.3	\$ 106.3		
Total	<b>Total</b>	<b>\$ 106.3</b>	<b>\$ 106.3</b>	
Total				
Total				

There were no impairment charges recorded to definite lived intangible assets for the three months ended March 31, 2024 and 2023.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

##### Definite Lived Intangible Assets

The gross carrying amounts and accumulated amortization of definite lived intangible assets by major intangible asset class were as follows (in millions):

	September 30, 2023			December 31, 2022			Weighted- March 31, 2024	Weighted- December 31, 2023		
	Weighted- Average	Gross	Original Useful Life	Carrying Amount	Accumulated Amortization	Net	Gross	Carrying Amount	Accumulated Amortization	Net

		Average Original Useful Life	Gross Carrying Amount			Average Original Useful Life	Gross Carrying Amount Amortization Net		
			Gross	Carrying	Accumulated Amortization Net		Gross	Carrying Amount Amortization Net	
Trade names	Trade names	14 years	\$ 25.4	\$ (9.2)	\$ 16.2	\$ 25.4	\$ (8.0)	\$ 17.4	
Customer relationships and contracts	Customer relationships and contracts	11 years	87.5	(42.8)	44.7	87.6	(35.4)	52.2	
Channel sharing arrangements	Channel sharing arrangements	35 years	12.6	(1.7)	10.9	12.6	(1.4)	11.2	
Other	Other	12 years	3.9	(1.2)	2.7	4.1	(1.1)	3.0	
<b>Total</b>	<b>Total</b>		<b>\$ 129.4</b>	<b>\$ (54.9)</b>	<b>\$ 74.5</b>	<b>\$ 129.7</b>	<b>\$ (45.9)</b>	<b>\$ 83.8</b>	

For the nine months ended September 30, 2022, the Company recorded There were no impairment charges recorded to definite lived intangible assets of \$1.5 million, which are reflected in Other operating loss (income) in for the unaudited Condensed Consolidated Statements of Operations. The impairment charges related to the impairment of the HC2 Network Program License Agreement ("PLA") due to a decline in performance, three months ended March 31, 2024 and 2023.

Amortization expense for definite lived intangible assets was \$1.7 million \$1.9 million and \$4.1 million \$3.9 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and was included in Depreciation and amortization in our Condensed Consolidated Statement of Operations. Amortization expense for definite lived intangible assets was \$9.2 million and \$12.5 million for the nine months ended September 30, 2023 and 2022, respectively, and was included in Depreciation and amortization in our Condensed Consolidated Statements of Operations.

## 9. Leases

Operating lease right-of-use-assets and assets held under finance leases are recognized in the Condensed Consolidated Balance Sheets within Other assets and Property, plant and equipment, net, respectively. Operating lease liabilities and finance lease liabilities are recognized in the Condensed Consolidated Balance Sheets within Other liabilities and Debt obligations, respectively. Right-of-use lease assets and lease liabilities consisted of the following (in millions):

	September 30, 2023		December 31, 2022	
Right-of-use assets:				
Operating lease (Other assets)	\$	60.5	\$	65.8
Finance lease (Property, plant and equipment, net)		2.4		2.1
<b>Total right-of-use assets</b>	<b>\$</b>	<b>62.9</b>	<b>\$</b>	<b>67.9</b>
Lease liabilities:				
Current portion of operating lease (Other current liabilities)	\$	13.9	\$	17.1
Non-current portion of operating lease (Other liabilities)		51.2		53.8
Finance lease (Debt obligations)		2.5		2.1
<b>Total lease liabilities</b>	<b>\$</b>	<b>67.6</b>	<b>\$</b>	<b>73.0</b>

The tables below present financial information associated with the Company's leases.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

	March 31, 2024		December 31, 2023	
Right-of-use assets:				
Operating lease (Other assets)	\$	57.0	\$	58.0
Finance lease (Property, plant and equipment, net)		0.9		2.3
<b>Total right-of-use assets</b>	<b>\$</b>	<b>57.9</b>	<b>\$</b>	<b>60.3</b>
Lease liabilities:				
Current portion of operating lease (Other current liabilities)	\$	13.5	\$	13.5
Non-current portion of operating lease (Other liabilities)		46.8		48.6
Finance lease (Debt obligations)		0.9		2.4
<b>Total lease liabilities</b>	<b>\$</b>	<b>61.2</b>	<b>\$</b>	<b>64.5</b>

The Company has entered into operating and finance lease agreements primarily for land, office space, equipment and vehicles, expiring between 2023 2024 and 2045. The tables below present financial information associated with the Company's leases for the three months ended March 31, 2024 and 2023.

The following table summarizes the components of lease expense (in millions):

		Nine Months			
		Three Months		Ended September	
		Ended	September	30,	30,
		September 30,		30,	
		2023	2022	2023	2022
Finance lease	Finance lease				
cost:	cost:				
Amortization	Amortization				
of right-of-	of right-of-				
use assets	use assets	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.2
Interest on lease liabilities		—	—	0.1	—
Amortization of right-of-use assets					
Amortization of right-of-use assets					
Net finance lease cost					
Net finance lease cost					
Net finance lease cost	Net finance lease cost	0.1	0.1	0.4	0.2
Operating lease cost	Operating lease cost	5.7	5.8	17.3	17.6
Variable lease cost	Variable lease cost	0.2	0.1	0.5	0.4
Variable lease cost					
Variable lease cost					
Sublease income	Sublease income	(0.1)	(0.1)	(0.5)	(0.5)
Total lease cost	Total lease cost	\$ 5.9	\$ 5.9	\$ 17.7	\$ 17.7

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(Unaudited)

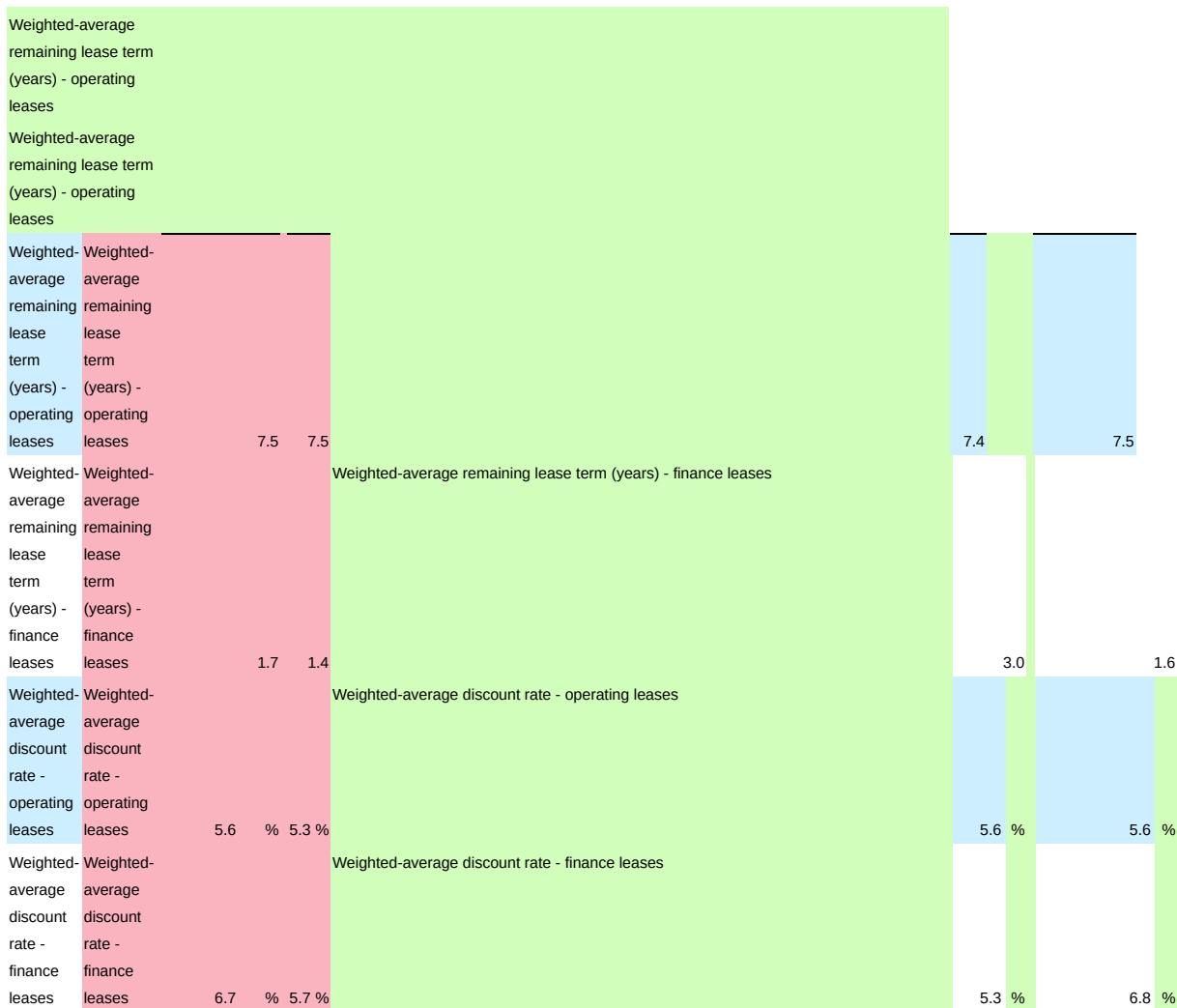
Cash flow information related to leases is as follows (in millions):

Three Months			
Ended March			
31,			

	Three Months Ended March 31, Three Months Ended March 31, 2024	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
	Nine Months Three Months Ended Ended September September 30, 30,		
Financing cash flows from finance leases			
	2023 2022 2023 2022		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases	\$ — \$ — \$ 0.1 \$ —		
Financing cash flows from finance leases			
Financing cash flows from finance leases	Financing cash flows from finance leases \$ 0.1 \$ — \$ 0.3 \$ 0.1		
Operating cash flows from operating leases	Operating cash flows from operating leases \$ 5.8 \$ 5.6 \$ 17.8 \$ 17.6		
Right-of-use assets obtained in exchange for new lease liabilities:	Right-of-use assets obtained in exchange for new lease liabilities:		
Finance leases	Finance leases \$ — \$ 1.7 \$ 0.6 \$ 2.2		
Finance leases			
Operating	Operating		

The weighted-average **Margin** **Short-term** term and the weighted-average discount rate for finance leases and operating leases are as follows:

The weighted-average term and the weighted-average discount rate for finance leases and operating leases are as follows:



#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Future minimum lease commitments (undiscounted) as of September 30, 2023 March 31, 2024, were as follows (in millions):

		Operating	Finance	
		Leases	Leases	
2023		\$ 4.4	\$ 0.1	
	Operating			Operating
	Leases			Leases
2024	2024	16.4	1.8	Leases
2025	2025	12.9	0.3	
2026	2026	9.4	0.2	
2027	2027	7.0	0.2	
2028				
Thereafter	Thereafter	29.5	—	
Total future minimum lease payments	Total future minimum lease payments	79.6	2.6	

Less:	Less:
amounts	amounts
representing	representing
interest	interest
Total lease	Total lease
liability	liability
balance	balance \$ 65.1 \$ 2.5

In November 2021, INNOVATE Corp. entered into a ten-year lease agreement for a special purpose space in Palm Beach, Florida. In Florida, which was amended in February 2023 the lease agreement was amended to extend the term of the lease to 15 years. The lease has not yet commenced, but will require years, with future monthly lease payments of approximately \$0.2 million over the entire lease term and yearly annual common area maintenance charges of \$0.6 million, both of which are subject to a 3% annual upward adjustments, adjustment, with total square footage of 25,184, as amended. The lease also provides had not yet commenced for accounting purposes as the space is still under construction, and, therefore, future lease payments were not recorded on the Company's Consolidated Balance Sheets. In December 2023, the Company entered into a sublease agreement with Palm Beach Cultural Innovation Center, Inc. ("PBCIC"), a Florida not-for-profit corporation and related party to receive an allowance from Avram A. Glazer, the landlord Chairman of \$4.4 million, INNOVATE's Board of Directors, who is also on the board of directors of PBCIC. Pursuant to the sublease, PBCIC would have use of the underlying space and, as consideration, PBCIC agreed to undertake all of the tenant's build-out costs and related obligations under the lease agreement between the Company, as tenant, and RPP Palm Beach Property LP, as landlord. Effective March 29, 2024, the Company assigned the lease, as amended, in February 2023, and the sublease to be used toward costs to design, engineer, install, supply an affiliate of Avram A. Glazer, releasing the Company of all obligations under the lease, as amended, and construct improvements (the "Construction Allowance"), payable at the end of the construction period, of which sublease. The Company previously recorded \$1.1 million and \$0.8 million is included in prepaid rent related to this lease, which was written-off in Other assets as December 2023 upon the execution of September 30, 2023 the sublease to PBCIC. While there have been no new expenses incurred during 2024, the Company also previously incurred other expenses of \$1.1 million since inception related to the special purpose space and December 31, 2022, respectively. The future lease payments PBCIC, of which \$0.2 million is reflected in Selling, general and remaining unexpended amounts under administrative in the allowance are not yet recorded in our Condensed Consolidated Balance Sheet. Management expects Statement of Operations for the accounting lease commencement date for this initial portion of the lease for financial reporting purposes to begin in 2024, three months ended March 31, 2023.

In December 2021, the Company entered into a five-year lease agreement with an option to extend the lease for another five years for corporate office space in West Palm Beach, Florida. The new Florida, that would, on commencement of the lease, has not commenced yet, but will require future monthly lease payments of approximately \$0.1 million over the entire lease term, subject to 3% annual upward adjustment, with total square footage of 15,786. Other adjustment. This lease had not yet commenced as the building is still under construction, and therefore, other than a \$0.2 million deposit included in Other assets the as of December 31, 2023, future lease payments are were not yet recorded on our Condensed the Company's Consolidated Balance Sheets, as Sheets. On March 29, 2024, the building is still Company assigned the lease to Lancer Capital, LLC ("Lancer Capital"), an entity controlled by Avram A. Glazer, releasing the Company of all obligations under construction. Management expects the accounting lease. The \$0.2 million security deposit on the lease commencement date for this initial portion was also assigned to Lancer and written-off in March 2024.

## 10. Other Assets, Accrued Liabilities and Other Liabilities

### Other Current Assets

Other current assets consisted of the lease for financial reporting purposes to begin in 2024, following (in millions):

	March 31, 2024	December 31, 2023
Prepaid assets	\$ 10.4	\$ 11.2
Income tax receivable	1.4	2.1
Restricted cash - current	0.9	0.9
Other	0.4	0.4
<b>Total other current assets</b>	<b>\$ 13.1</b>	<b>\$ 14.6</b>

**INNOVATE CORP.**  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED  
(Unaudited)

### 10. Other Assets Accrued Liabilities and Other Liabilities

Other assets, which are reflected in non-current assets in the Condensed Consolidated Balance Sheets, consisted of the following (in millions):

	March 31, 2024	March 31, 2024	December 31, 2023
	September 30, 2023	December 31, 2022	
Right-of-use assets			
Right-of-use assets			
Right-of- use			
use assets	\$ 60.5	\$ 65.8	

Restricted cash -	Restricted cash -	1.4	1.5
non-current	non-current		
Other assets	Other assets	5.3	4.6
Total other assets	Total other assets	\$ 67.2	\$ 71.9

#### Accrued Liabilities

Accrued liabilities consisted of the following (in millions):

	March 31, 2024	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accrued expenses	Accrued expenses	September 30, 2023	December 31, 2022		
Accrued expenses	Accrued expenses				
Accrued payroll and employee benefits	Accrued payroll and employee benefits	33.5	30.8		
Accrued interest	Accrued interest	8.5	15.3		
Accrued interest and exit fees	Accrued interest and exit fees				
Accrued sales and use taxes	Accrued sales and use taxes				
Accrued income taxes	Accrued income taxes	0.1	0.4		
Total accrued liabilities	Total accrued liabilities	\$ 66.4	\$ 65.4		

#### Other Liabilities

Other current liabilities consisted of the following (in millions):

	March 31, 2024	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Lease liability, current	Lease liability, current	\$ 13.9	\$ 17.1		
Operating lease liability, current	Operating lease liability, current				
Operating lease liability, current	Operating lease liability, current				
Other current	Other current	3.2	3.0		

liabilities	liabilities
Other current	
liabilities	
Other current	
liabilities	
Total other current liabilities	\$ 17.1
	\$ 20.1

Other liabilities, which are reflected in non-current liabilities in the Condensed Consolidated Balance Sheets, consisted of the following (in millions):

	March 31, 2024	March 31, 2024	December 31, 2023
	September 30, 2023	December 31, 2022	
Lease liability, net of current portion	\$ 51.2	\$ 53.8	
Operating lease liability, net of current portion			
Operating lease liability, net of current portion			
Operating lease liability, net of current portion			
Other	Other	23.6	17.4
Other			
Other			
Total other liabilities	\$ 74.8	\$ 71.2	

As of March 31, 2024, there was \$17.6 million of non-current accrued interest and \$15.9 million of exit fees payable included in Other liabilities. As of December 31, 2023, there was \$14.9 million of non-current accrued interest and \$15.9 million of exit fees payable included in Other liabilities.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

**11. Debt Obligations**

Debt obligations, including finance lease obligations, consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Infrastructure	2024	Infrastructure	September		
PRIME minus 0.85% Line of Credit due 2024		30, 2023			December 31, 2022
PRIME minus 0.75% Line of Credit due 2025					
PRIME minus 0.75% Line of Credit due 2025					
PRIME minus 0.75% Line of Credit due 2025					
3.25% Term Loan due 2026	3.25% Term Loan due 2026		93.0	99.5	
4.00% Note due 2024	4.00% Note due 2024		7.5	15.0	
			12.1	18.7	

8.00% Note due 2024			
<b>Obligations under finance leases</b>			
<b>Obligations under finance leases</b>			
<b>Obligations under finance leases</b>	<b>Obligations under finance leases</b>	2.5	2.1
Total	Total		
Infrastructure	Infrastructure	\$ 232.8	\$ 243.0
<b>Spectrum</b>	<b>Spectrum</b>		
8.50% Note		\$ 19.3	\$ 19.3
11.45% Notes		50.4	50.4
<b>Spectrum</b>			
<b>Spectrum</b>			
8.50% Note due 2025			
8.50% Note due 2025			
8.50% Note due 2025			
11.45% Notes due 2025			
Total Spectrum	Total Spectrum	\$ 69.7	\$ 69.7
<b>Total Spectrum</b>			
<b>Total Spectrum</b>			
<b>Life Sciences</b>	<b>Life Sciences</b>		
20.00% Note due 2023		\$ 17.4	—
18.00% Note due 2023		—	10.8
<b>Life Sciences</b>			
<b>Life Sciences</b>			
20.00% Note due 2024			
20.00% Note due 2024			
20.00% Note due 2024			
<b>Total Life Sciences</b>			
<b>Total Life Sciences</b>			
Total Life Sciences	Total Life Sciences	\$ 17.4	\$ 10.8
<b>Non-Operating Corporate</b>	<b>Non-Operating Corporate</b>		
<b>Non-Operating Corporate</b>			
8.50% Senior Secured Notes due 2026			
8.50% Senior Secured Notes due 2026			
8.50% Senior Secured Notes due 2026	8.50% Senior Secured Notes due 2026	\$ 330.0	\$ 330.0
7.50% Convertible Senior Notes due 2026	7.50% Convertible Senior Notes due 2026	51.8	51.8
SOFR plus 5.75% Line of Credit	SOFR plus 5.75% Line of Credit	20.0	20.0
CGIC	CGIC		
Unsecured Note due 2026	Unsecured Note due 2026	35.1	—

Total Non-Operating Corporate	Total Non-Operating Corporate	\$ 436.9	\$ 401.8
Total outstanding principal	Total outstanding principal	\$ 756.8	\$ 725.3
Total outstanding principal			
Total outstanding principal			
Unamortized issuance discount, issuance premium, and deferred financing costs	Unamortized issuance discount, issuance premium, and deferred financing costs	(7.2)	(10.9)
Less: current portion of debt obligations	Less: current portion of debt obligations	(162.8)	(30.6)
Debt obligations		\$ 586.8	\$ 683.8
Debt obligations, net of current portion			

As of September 30, 2023 March 31, 2024, estimated future aggregate finance lease and debt payments, including interest, were as follows (in millions):

		Finance Leases			Debt	Total
		2023	\$ 0.1	\$ 36.5	\$ 36.6	
2024	2024		1.8	186.8	188.6	
2025	2025		0.3	148.3	148.6	
2026	2026		0.2	504.5	504.7	
2027	2027		0.2	—	0.2	
Thereafter			—	—	—	
2028						
Total minimum principal and interest payments						
Total minimum principal and interest payments						
Total minimum principal and interest payments	Total minimum principal and interest payments		2.6	876.1	878.7	
Less: interest	Less: interest		(0.1)	(121.8)	(121.9)	
Amount representing interest	Amount representing interest					

Total aggregate finance lease and debt payments	Total aggregate finance lease and debt payments	\$ 2.5	\$ 754.3	\$ 756.8
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The interest rates on finance leases ranged from approximately 2.0% to 7.8%.

#### Infrastructure

Infrastructure DBMG has a \$135.0 million Revolving Line with UMB which expires on May 31, 2024 and bears interest at a rate of Prime Rate minus 0.85% a spread with an interest rate floor of 4.25%. Interest The effective interest rate on the Revolving Line with UMB was 8.06% and 8.33% as of March 31, 2024 and December 31, 2023, respectively. The Revolving Line with UMB matures on August 15, 2025, and interest is paid monthly. Infrastructure The Revolving Line with UMB also includes a commitment fee equal to 0.25% per annum times the average daily unused availability under the line. DBMG also has a \$93.0 million UMB Term Loan, which expires May 31, 2026, and bears interest at an annual rate of 3.25% with an effective interest rate of 3.3%. Interest is paid monthly. The UMB Term Loan and UMB Revolving Line with UMB associated with the Infrastructure segment contains customary restrictive and financial covenants related to debt levels and performance, including a Fixed Charge Coverage Ratio covenant, on the UMB Revolving Line, as defined in the agreement.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

The \$7.5 million 4.00% note expires on March 31, 2024 and bears interest at a rate of 4.00% was fully redeemed on April 2, 2024. Interest is paid quarterly. The \$12.1 million note expires May 27, 2024 and bears interest at a rate of 8.00%. Interest is paid quarterly.

Subsequent Refer to quarter end, on November 2, 2023, UMB indicated its intent to extend the maturity date of the Revolving Line from May 31, 2024 to September 30, 2025. As part of the modification, the interest rate spread Note 16. Related Parties for the Revolving Line will be increased by 0.35% across all tiers, and the interest rate floor will be increased from 3.0% to 4.25%. No definitive agreements have been signed as of the filing date of this Form 10-Q Quarterly Report. There can be no assurances that the final signed agreements with UMB will close on the aforementioned terms or if at all. additional information.

#### Spectrum

On December 30, 2022 The maturity date of Spectrum's 8.50% and 11.45% Notes, as amended, is August 15, 2025. The exit fees associated with the notes, which are payable on the earlier of maturity or repayment of the principal, were recorded as original issue discount and are amortized over the remaining life of the notes. A corresponding liability is reflected in Other Liabilities in the Condensed Consolidated Balance Sheets. As of both March 31, 2024 and December 31, 2023, Broadcasting entered into a Seventh Omnibus the Company had total capitalized estimated exit fees of \$15.9 million, which are reflected in Other Liabilities (non-current) in the Condensed Consolidated Balance Sheet. Interest is capitalized and payable upon maturity of the notes. As of March 31, 2024, the effective interest rates on the notes, as amended, ranged from 20.6% to 24.0% per annum.

During November 2023, concurrently with Broadcasting's execution of the Ninth Amendment to Secured Notes, which among other things extended the maturity date of \$52.2 million of its Senior Secured Notes, due December 30, 2022 to May 31, 2024. The effective interest rates on the notes, range from 12.8% to 19.6%. Interest is capitalized and payable upon maturity of the principal. The \$52.2 million of Senior Secured Notes consisted of \$19.3 million of 8.5% Senior Secured Notes and \$32.9 million of 10.5% Senior Secured Notes. The other terms of the \$19.3 million 8.5% Senior Notes remained the same. At the time of the extension, Broadcasting had accrued interest and other fees of \$6.9 million. The interest rate on the \$32.9 million 10.5% Senior Notes was increased to 11.45% and cumulative accrued interest and exit fees of \$17.5 million were capitalized into the principal balance with both note extensions accounted for as debt modification events. All other terms were essentially the same. Total outstanding principal after the refinancing was \$69.7 million, and \$6.9 million of accrued interest and fees remain accrued, with total exit fees of \$7.6 million which were recorded as original issue discount with a corresponding liability reflected in Other Liabilities in the Condensed Consolidated Balance Sheet.

Concurrently therewith and as part of the consideration for extending the 10.5% Senior Notes in December 2022, Broadcasting amended warrants to purchase 145,825 shares of common stock of HC2 Broadcasting Holdings, Inc. common stock held by the lenders of the 10.5% Senior Notes by extending the time to exercise such to the second half of 2026 and reducing the exercise price per share (i) from \$140.00 to \$0.01 in the case of the certain of the warrants and (ii) from \$130.00 to \$0.01 in the case of the remaining warrants. The warrants have a five-year term and are exercisable at any time. The change in the fair value of the warrants was recorded as original issue discount with a corresponding impact reflected in Non-controlling interest of \$3.1 million.

On August 8, 2023, Broadcasting entered into an Eighth Amendment to Secured Notes with its lenders which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from May 31, 2024 to August 15, 2024. In exchange, Broadcasting incurred an additional exit fee of \$1.1 million which was recorded as original issue discount with a corresponding liability reflected in Other Liabilities in the Condensed Consolidated Balance Sheet.

Subsequent to quarter end, on November 9, 2023, Broadcasting INNOVATE Corp. entered into a Ninth Amendment to its Secured Notes related side letter with its the lenders, which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from August 15, 2024 to August 15, 2025. In exchange, whereby INNOVATE Corp. has agreed to utilize proceeds from the sale of any certain of its existing operations, as allowable under the Company's current agreements and indentures and after all other required payments have been made, for repayment of a portion of Broadcasting's Senior Secured Notes, plus Notes. Assuming there are sufficient proceeds remaining after such repayment, an additional exit \$1.0 million fee upon such a repayment of \$1.0 million is payable if repayment occurs by November 9, 2024, and or \$2.0 million if repayment occurs after that date. Upon payment of In exchange for the exit additional fee, the lenders also agree to institutional investors will return their equity interests in HC2 Broadcasting Holdings, Inc. and its subsidiary equity interests, interests in DTV America.

#### Life Sciences

During 2022, 2023, R2 Technologies entered into an aggregate \$10.8 million in 18% additional notes and amendments with Lancer Capital, LLC ("Lancer"), a related party, an entity controlled by Avram A. Glazer, the Chairman of INNOVATE's Board of Directors. In February 2023, R2 Technologies closed and on an additional aggregate \$0.9 million in 18% notes with Lancer. On March 31, 2023 November 15, 2023, R2 Technologies entered into an exchange agreement with Lancer, which terminated all prior outstanding notes and simultaneously issued a new 20% note with an aggregate original principal amount of \$13.0 million, which comprised of all prior outstanding principal amounts and unpaid accrued interest which was capitalized into the new principal balance with future interest payable upon maturity of the note. During the second and third quarters of 2023, R2 Technologies closed on an additional \$2.7 million and \$1.7 million, respectively, in 20% notes with Lancer. As of September 30, 2023, the total outstanding principal amount owed to Lancer was \$17.4 million. In addition, during the third quarter of 2023, R2 entered into an amendment with Lancer to extend the maturity date of all outstanding prior existing notes was extended to the earlier of November 15, 2023 January 31, 2024 or within five business days of the date on which R2 Technologies receives an

aggregate \$20.0 million from the consummation of a debt or equity financing. The notes expired on January 31, 2024 and, effective January 31, 2024, a new 20% note with an aggregate original principal amount of \$20.0 million was issued, which is comprised of the prior outstanding principal amounts and unpaid accrued interest of \$2.6 million which was capitalized into the new principal balance. Future interest is payable monthly in arrears, in cash or, if not paid in cash, accrued and unpaid interest will be capitalized monthly into the principal balance.

The new note also includes an exit fee payable upon the earliest of the maturity date, the acceleration date of the principal amount of the note, for any reason as defined in the agreement, or the date upon which any prepayment is made. The exit fee shall be equal to 10.5% of the principal amount being repaid if payment is made anytime from April 1, 2024 through April 30, 2024. As a result of the addition of the exit fee, the modification was determined to be an extinguishment under ASC 470-50 and the amount of the new exit fee payable to the existing lender of \$2.2 million is included in Other (expense) income, net on the Condensed Consolidated Statement of Operations.

The maturity date of the new note is April 30, 2024 or within five business days of the date on which R2 Technologies receives an aggregate \$20.0 million from the consummation of a debt or equity financing or has a change in control, as defined in the agreement, with an optional prepayment of the entire then-outstanding and unpaid principal and accrued interest upon five-days written notice to Lancer Capital. Subsequent to quarter end, effective April 30, 2024, the note was extended to May 17, 2024, and the exit fee payable was updated to 10.71% of the principal amount for repayments made after May 1, 2024.

As of March 31, 2024, the per annum interest rate on the outstanding principal balance is 20%. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, R2 Technologies recognized interest expense of \$0.9 million and \$0.5 million, respectively, related to the contractual interest coupon on the notes with Lancer Capital. As part of \$0.8 the agreement, all unpaid accrued interest on the new note is capitalized into the principal balance on a monthly basis. As a result, an additional \$0.7 million and \$2.0 million, respectively. For both of unpaid accrued interest incurred subsequent to January 31, 2024, was capitalized into the principal balance during the three and nine months ended September 30, 2022 March 31, 2024. As of March 31, 2024, R2 Technologies recognized all unpaid accrued interest expense on the new note had been capitalized into the principal balance, and there was no accrued interest payable. As of December 31, 2023, the related to accrued interest payable not capitalized into the contractual interest coupon with Lancer Capital, LLC principal balance was \$2.4 million. The accrued exit fee was \$2.2 million as of \$0.2 million. March 31, 2024, which is included in Accrued liabilities on the Condensed Consolidated Balance Sheet.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
(Unaudited)

**Non-Operating Corporate**

**2026 Senior Secured Notes**

The \$330.0 million aggregate principal amount of 8.50% senior secured notes due February 1, 2026 (the "2026 Senior Secured Notes") was issued in 2021 at 100% of par, with a stated annual interest rate of 8.50% and an effective interest rate of 9.26% 9.3%, which reflects \$2.7 \$10.8 million of deferred financing fees, including underwriting fees. Aggregate For the three months ended March 31, 2024 and 2023, aggregate interest expense, including the contractual interest coupon and amortization of the deferred financing fees, was \$7.6 million and \$7.5 million, for both the three months ended September 30, 2023 and 2022. Aggregate interest expense, including the contractual interest coupon and amortization of the deferred financing fees, was \$22.6 million for both the nine months ended September 30, 2023 and 2022, respectively.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

**2026 Convertible Notes**

The \$51.8 million of 7.50% convertible notes (the "2026 Convertible Notes") was issued under a separate indenture dated February 1, 2021, between the Company and U.S. Bank, as trustee (the "Convertible Indenture"). The 2026 Convertible Notes were issued at 100% of par with a stated annual interest rate of 7.50%. The fair value of the embedded conversion feature contained in the 2026 Convertible Notes had a fair value of \$12.3 million, which was recorded as a premium on the 2026 Convertible Notes. The 2026 Convertible Notes mature on August 1, 2026 unless earlier converted, redeemed or purchased. The 2026 Convertible Notes have an effective interest rate of 3.21%, which reflects the initial \$12.3 million premium and \$1.1 million of deferred financing fees.

Each \$1,000 of principal of the 2026 Convertible Notes will initially be convertible into 234.2971 shares of our common stock, which is equivalent to an initial conversion price of approximately \$4.27 per share, subject to adjustment upon the occurrence of specified events.

As of September 30, 2023 March 31, 2024, the 2026 Convertible Notes had a net carrying value of \$57.8 \$56.7 million inclusive of an unamortized premium of \$6.6 \$5.5 million and unamortized deferred financing costs of \$0.6 \$0.5 million. Based on the closing price of our common stock of \$1.62 \$0.70 on September 30, 2023 March 31, 2024, the if-converted value of the 2026 Convertible Notes did not exceed its principal value.

For both the three months ended September 30, 2023 March 31, 2024 and 2022, interest expense recognized relating to both the contractual interest coupon and amortization of discount net of premium was \$0.5 million. For the nine months ended September 30, 2023 and 2022, 2023, aggregate interest expense recognized relating to both the contractual interest coupon and amortization of discount net of premium and deferred financing costs was \$1.4 million and \$1.5 million, respectively. \$0.5 million.

**Revolving Line of Credit**

The Company has a revolving credit agreement with MSD PCOF Partners IX, LLC ("MSD"), which has a maximum commitment of \$20.0 million ("Revolving Line of Credit"). The Revolving Line of Credit has an interest rate margin applicable to loans borrowed under the Revolving Line of Credit of 5.75%, and interest is paid quarterly. The Revolving Line of Credit also includes a commitment fee at a per annum rate of 1.0% calculated based off the actual daily amount of unused availability under the revolving credit line with MSD. On April 25, 2023, the Company and MSD extended the maturity date of its Revolving Line of Credit Agreement from February 23, 2024, to March 16, 2025, and also changed the benchmark rates for interest to SOFR-based rates and lowered the amount of net cash proceeds from certain asset sales in excess of which a prepayment is required from \$50.0 million to \$10.0 million. The affirmative and negative covenants governing the Revolving Line of Credit are substantially consistent with the affirmative and negative covenants contained in the indenture that governs the 2026 Senior Secured Notes. In March 2023, the Company paid down \$15.0 million As of the Revolving Credit Agreement, both March 31, 2024 and in May 2023 and July 2023, INNOVATE drew an aggregate additional \$15.0 million under the Revolving Credit Agreement, bringing December 31, 2023, the outstanding balance was \$20.0 million. Subsequent to \$20.0 million as quarter end, on May 6, 2024, the Company and MSD extended the maturity date of September 30, 2023 its Revolving Line of Credit from March 16, 2025 to May 16, 2025.

**CGIC Unsecured Note Due 2026**

On May 9, 2023, in connection with the redemption of the DBMGI Preferred Stock, the Company issued a subordinated unsecured promissory note to Continental General Insurance Company ("CGIC") in the principal amount of \$35.1 million (the "CGIC Unsecured Note"). Refer to Note 15. Temporary Equity and Equity for additional information. The CGIC Note is due February 28, 2026, and bears interest at 9% 9.0% per annum through May 8, 2024, 16% 16.0% per annum from May 9, 2024 to May 8, 2025, and 32% 32.0% per annum thereafter, and the effective interest rate on the note is 18.1%. The CGIC Unsecured Note also requires a mandatory prepayment from the proceeds from certain asset sales and the greater of \$3 \$3.0 million or 12.5% of the net proceeds from certain equity sales. Other covenants in the CGIC Unsecured Note are generally consistent with the Company's Indenture governing the 8.50% Senior Secured Notes due 2026, dated as of February 1, 2021, by and among the Company, the guarantors party thereto and U.S. Bank National Association. For the three and nine months ended September 30, 2023 March 31, 2024, interest expense recognized relating to the contractual CGIC Unsecured Note was \$1.6 million and cash paid for interest coupon to CGIC was \$0.8 million. Subsequent to the quarter end, as a result of the closing of the Rights Offering on April 24, 2024, INNOVATE redeemed \$4.1 million and \$1.3 million, respectively, of the CGIC Unsecured Note on April 26, 2024.

INNOVATE is in compliance with its debt covenants as of September 30, 2023 March 31, 2024.

## 12. Income Taxes

The Company uses the Annual Effective Tax Rate ("ETR") approach of ASC 740-270, *Interim Reporting*, to calculate its interim tax provision.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

For Income tax expense of \$3.3 million and \$0.9 million for the three months ended September 30, 2023, March 31, 2024 and 2022, income tax was an expense of \$1.1 million and a benefit of \$2.0 million, respectively. Income tax expense was \$3.2 million and \$1.6 million for the nine months ended September 30, 2023, and 2022, respectively. The income tax expense 2023, respectively, primarily relates to tax expense as calculated under ASC 740 for taxpaying entities. For the three months ended March 31, 2024, the annual effective tax rate calculation for the interim tax provision included the tax expense associated with the INNOVATE Corp. U.S. consolidated group due to the Tax Cut and Jobs Act's 80 percent limitation on net operating losses incurred after 2017. Additionally, the tax benefits associated with losses generated by the INNOVATE Corp. U.S. tax consolidated group and certain other businesses have been reduced by a full valuation allowance as management does not believe it is more-likely-than-not that the losses will be utilized. Additionally, the Annual ETR effective tax rate calculated for the current period three months ended March 31, 2023 interim tax provision included an unpeeled \$1.1 million tax benefit, consisting of a current tax expense of \$4.4 million related to a foreign tax payment and a deferred tax benefit of \$5.5 million related to the reversal of the deferred tax liability associated with the \$11.3 million put option, both of which were related to the sale of New Saxon's 19% investment in HMN on March 6, 2023. The income tax benefit recorded Additionally, for the three months ended September 30, 2022 March 31, 2023, the tax benefits associated with losses generated by the INNOVATE Corp. U.S. consolidated group and certain other businesses have been reduced by a full valuation allowance as management does not believe it is more-likely-than-not that the income tax expense recorded for the nine months ended September 30, 2022 included the net tax savings of \$2.9 million from the CGIC consolidation in the 2021 tax return, resulting in a partial release of the valuation allowance. losses will be utilized.

### Net Operating Losses

At December 31, 2022 December 31, 2023, the Company had gross U.S. net operating loss carryforwards available to reduce future taxable income of the U.S. consolidated group in the amount of \$226.3 \$179.2 million. The Company expects that approximately \$162.9 \$119.2 million of the gross U.S. net operating loss carryforwards would be available to offset taxable income in 2023 2024 and later periods. This estimate may change based on changes to actual results reported on the 2023 U.S. tax return. The amount of U.S. net operating loss carryforwards reflected in the financial statements differ from the amounts reported on the U.S. tax return due to uncertain tax positions related to tax laws and regulations that are subject to varied interpretation by the IRS.

Additionally, the Company has \$121.2 \$138.0 million of gross U.S. net operating loss carryforwards from its subsidiaries that do not qualify to be included in the INNOVATE Corp. U.S. consolidated income tax return, including \$80.6 \$92.9 million from R2 \$38.2 Technologies, \$42.7 million from DTV America, and other entities of \$2.4 million. Of the \$138.0 million of gross U.S. net operating loss carryforwards, \$101.9 million was generated after 2017 and will have an indefinite carryforward period; the remaining \$36.1 million was generated prior to 2018 and will expire, if unused, by 2037.

### Unrecognized Tax Benefits

The Company follows the provision of ASC 740 which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is subject to challenge from various taxing authorities relative to certain tax planning strategies, including certain intercompany transactions as well as regulatory taxes.

The Company did not have any unrecognized tax benefits as of September 30, 2023, March 31, 2024 and 2022 2023 related to uncertain tax positions that would impact the effective income tax rate if recognized. The Company has reduced the net operating loss carryforward by \$58.7 million for uncertain tax positions based on our interpretation of tax laws and regulations that are subject to varied interpretation by the IRS.

### Examinations

The Company conducts business globally, and as a result, INNOVATE or one or more of its subsidiaries files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. Tax years 2002-2022 remain open for examination.

The Company is currently under examination in various domestic and foreign tax jurisdictions. The open tax years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the applicability of income tax credits for the relevant tax period. Given the nature of tax audits, there is a risk that disputes may arise.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

## 13. Commitments and Contingencies

### Litigation

The Company 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 the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's **Condensed** Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its **Condensed** Consolidated Financial Statements. The Company records a liability in its **Condensed** Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably **estimated**, **estimated** as well as any **legal costs incurred related to the litigation**. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amount of loss can be reasonably **estimated**, the Company estimates and discloses the possible loss or range of loss to the extent necessary for its **Condensed** Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably **estimated**, a liability is not recorded in the Company's **Condensed** Consolidated Financial Statements. Any legal or other expenses associated with the litigation are accrued for as the expenses are incurred.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

**(Unaudited)**

Based on a review of the current facts and circumstances with counsel in each of the matters disclosed, management has provided for what is believed to be a reasonable estimate of loss exposure. While acknowledging the uncertainties of litigation, management believes that the ultimate outcome of litigation will not have a material effect on its financial position and will defend itself vigorously.

**DTV Derivative Litigation**

On March 15, 2021, **twenty-two** DTV stockholders and eight holders of DTV stock options filed a stockholder class action and derivative complaint in the Delaware Court of Chancery in an action styled Bocock, et al., v. HC2 Holdings, Inc. et al., C.A. No. 2021-0224 (Del. Ch.). Plaintiffs named as defendants INNOVATE Corp. (f/k/a HC2 Holdings, Inc.), HC2 Broadcasting Holdings, Inc., HC2 Broadcasting Inc., and Continental General Insurance Corporation (the "INNOVATE Entities") and certain current and former officers and directors of the INNOVATE Entities and DTV, including Philip Falcone, Michael Sena, Wayne Barr, Jr., Les Levi, Paul Voigt, Ivan Minkov, and Paul Robinson (the "Individual Defendants"). Plaintiffs principally allege that the defendants breached their fiduciary duties and/or aided and abetted breaches of fiduciary duty by participating in a "scheme" in which the INNOVATE Entities (i) acquired majority voting and operating control over DTV; (ii) exploited that control to misappropriate DTV's assets and business opportunities for the benefit of the INNOVATE Entities; and (iii) purchased DTV stock at a discount to fair value and diminished the value of DTV stock options. Plaintiffs allege that the Individual Defendants (i) "prompted" the INNOVATE Entities to purchase more than 100 low-power television ("LPTV") broadcast stations originally identified for potential acquisition by DTV, (ii) allowed the INNOVATE Entities to misappropriate DTV technology, known as "DTV Cast," (iii) caused DTV to transfer unspecified LPTV broadcasting station licenses to INNOVATE affiliates "without paying any value," and (iv) transferred to the INNOVATE Entities unspecified DTV broadcasting stations that had been "repacked" by the FCC. Defendants moved to dismiss the Complaint on May 19, 2021. On June 23, 2021, plaintiffs amended their complaint. In the amended complaint, plaintiffs assert the same claims they asserted in their initial complaint, added a claim for waste associated with DTV's purported transfer of licenses and construction permits for less than fair value, and dropped Paul Robinson as a defendant. Defendants moved to dismiss the amended complaint in its entirety on August 25, 2021, and the parties completed briefing on the motions to dismiss on November 10, 2021. The Court heard argument on the motions to dismiss on March 29, 2022. On June 28, 2022, the Court requested that the parties submit supplemental briefing on the motions to dismiss by July 20, 2022. The parties completed the supplemental briefing on July 20, 2022.

On October 28, 2022, the Court issued a Memorandum Opinion on Defendants' motion to dismiss the Complaint. First, the Court dismissed all claims against Continental General Insurance Corporation for lack of personal jurisdiction. Second, the Court dismissed all claims the stockholder plaintiffs purported to assert directly. Third, the Court dismissed as time-barred all claims challenging conduct that occurred before March 15, 2018, including claims challenging (i) the November 2017 acquisition of Azteca America by INNOVATE; (ii) INNOVATE's purported usurpation of the so-called "DTV Cast" technology; and (iii) the WFWC-CD Station acquisition. Fourth, the Court dismissed claims associated with the INNOVATE Entities' purported purchases of unidentified broadcasting stations. Fifth, the Court dismissed all claims challenging the Expense Sharing Agreement, and the Right to Use Agreement between INNOVATE and DTV, and certain Stock-Based Compensation Agreements. Sixth, the Court dismissed the aiding and abetting claim against the INNOVATE Entities. Seventh, the Court dismissed the civil conspiracy claim as to all defendants. Lastly, the Court dismissed the option-holders' claim for tortious interference with prospective business opportunities. Thus, after the Court issued its October 28, 2022 Memorandum Opinion, the only claims to survive Defendants' motion to dismiss are (i) a derivative claim against the INNOVATE Entities (other than Continental General), Levi, and Falcone for breach of fiduciary duty in connection with the \$0.1 million Frank Digital acquisition; (ii) a derivative claim for breach of fiduciary duty against the INNOVATE Entities (other than Continental General), in their capacities as DTV's controlling stockholders, relating to the sale of six licenses (for less than \$0.5 million) in connection with the Gray Media **sale; sale** (the "Gray Media Claim"); (iii) a derivative claim for breach of fiduciary duty against the INNOVATE Entities (other than Continental General) and Levi in connection with the transfer of licenses ultimately sold to TV-49 for \$0.1 million; and (iv) a derivative claim for waste against Levi and Falcone in connection with the sale of two stations to Lowcountry, which Lowcountry later sold for \$0.2 million and \$0.4 million, respectively.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

On February 8, 2024, the Court granted Plaintiffs' motion for leave to file a second amended complaint. The proposed second amended complaint (i) names DTV as a nominal defendant, (ii) removes the Gray Media Claim, and (iii) removes all Plaintiffs other than James Bocock and Stan V. Smith on Behalf of the Stan V. Smith Trust dated April 30, 1993. The Court ordered Plaintiffs to file their second amended complaint on or before February 13, 2024. On February 14, 2024, Plaintiffs filed their second amended complaint. The INNOVATE Entities and Levi answered the second amended complaint on February 26, 2024. On April 22, 2024, the Court entered a case schedule culminating in a three-day trial from February 10-12, 2025.

The Company believes these remaining claims are without merit, and the Company intends to vigorously defend this **litigation**, **litigation** and cannot reasonably estimate any range of potential loss, if any, at this time.

**Marin Hospital Replacement Litigation**

On October 20, 2022, McCarthy Building Companies, Inc. ("McCarthy") filed suit against Schuff Steel Company ("Schuff"), a subsidiary of DBMG, and Quality Assurance Engineering, Inc. dba Consolidated Engineering Laboratories ("CEL") in the Superior Court of the State of California for the County of Marin, styled McCarthy Building Companies, Inc. v. Schuff Steel Company; Quality Engineering, Inc. dba Consolidated Engineering Laboratories, et al., Case No. CIV2203963 (the "Action"). In the Action, McCarthy alleges damages and delays caused by alleged failures in fabrication, erection, welding, and quality control by Schuff and improper quality assurance responsibilities by CEL on the Marin General Hospital Replacement Building (the "Project"). McCarthy asserts claims against Schuff for breach of contract, express indemnity, breach of express warranties, negligence, equitable implied indemnity, breach of implied warranties, and declaratory relief. On February 13, 2023, Schuff filed its response denying liability to McCarthy and asserting a Cross-Complaint against McCarthy, and other companies involved in the design, construction, and quality assurance, who potentially are liable for damages and delays alleged by McCarthy on the Project. In the Cross-Complaint, Schuff asserts claims for breach of contract, violation of statute, equitable indemnity apportionment, and contribution and express indemnity (the "Cross-Complaint"). Schuff intends to vigorously defend this Action and aggressively pursue the Cross-Complaint and cannot reasonably estimate any range of potential loss at this time.

**Meruelo Television **litigation** **litigation****

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

On August 8, 2023, Meruelo Television, LLC ("Meruelo" or "Plaintiff" ("Plaintiff") commenced a lawsuit in the Superior Court of the State of California, Los Angeles County, with the filing of a **Complaint** (the "Original Complaint") **complaint** naming as defendants HC2 Network, Inc. ("HC2" ("HC2"), Innovate and INNOVATE Corp. ("Innovate" ("INNOVATE" or the "Company" and, together with HC2, "Defendants" the "Defendants"), and Does 1 through 20, in the matter titled Meruelo Television, LLC v. HC2 Network, Inc., et al. (Cal. Supr. Ct.) Case No. 23ST-cv-18552.

On September 29, 2023, Defendants filed a Notice of Removal, removing the case from California state court to federal court in the U.S. District Court for the Central District of California, where it has been assigned Case No. 2:23-cv-08184-AB-BFM. On October 6, 2023, the Defendants filed a motion to dismiss the Original Complaint 23-cv-08184-AB-BFM (the "Lawsuit").

On **October 27, 2023** **February 20, 2024**, Plaintiff filed its **First** **present and operative** **Second Amended Complaint** (the "FAC" "SAC"), rendering both Plaintiff's Original Complaint and Defendants' motion to dismiss the Original Complaint moot. The FAC SAC asserts six (6) causes only one cause of action, against Defendants: (1) Breach of Contract, (2) Breach Count I for breach of the Implied Covenant of Good Faith contract, as against both HC2 and Fair Dealing, (3) Negligent Misrepresentation, (4) Intentional Misrepresentation, (5) Tortious Interference with Contract, and (6) Tortious Interference with Prospective Economic Relations. Per the Federal Rules of Civil Procedure, Defendants' response Company. Whereas the Company is a non-party to the FAC is due on or before November 10, 2023, contract at issue, the SAC asserts that INNOVATE can be held liable for Count I as the alleged alter ego of HC2.

On April 9, 2024, Plaintiff and Defendants filed in the Lawsuit a Stipulation of Dismissal, as so-ordered by the Court on April 16, 2024, whereby Plaintiff dismissed without prejudice its claims as against INNOVATE, while retaining its claim against HC2. HC2 believes that the claim is unable to assess the probability of loss or range of potential loss from this litigation at this time without merit and intends to vigorously defend the **litigation** claim.

Although Plaintiff's dismissal against the Company was without prejudice, at this time it appears that there exists a low probability of loss to INNOVATE resulting from this Lawsuit.

#### Other Commitments and Contingencies

##### Letters of Credit and Performance Bonds

As of **September 30, 2023** **March 31, 2024**, DBMG had outstanding letters of credit of **\$2.6** **\$0.1** million under credit and security agreements and performance bonds of **\$510.5** **\$263.9** million. As of **December 31, 2022** **December 31, 2023**, DBM DBMG had outstanding letters of credit of **\$2.6** **\$0.1** million under credit and security agreements and performance bonds of **\$956.6** **\$360.8** million. DBMG's contract arrangements with customers sometimes require DBMG to provide performance bonds to partially secure its obligations under its contracts. Bonding requirements typically arise in connection with private contracts and sometimes with respect to certain public work projects. DBMG's performance bonds are obtained through surety companies and typically cover the entire project price. The ratings of the bonding companies utilized by DBMG are highly rated, ranging from A-, A, A+ and AA.

#### 14. Share-based Compensation

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was **\$0.8 million** **\$0.4 million** and **\$0.4** **\$0.5** million for the three months ended **September 30, 2023** **March 31, 2024** and 2022, respectively. Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was \$2.0 million and \$1.7 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

All grants are time based and vest either immediately or over a period established at grant, typically with a requisite service period of two to three years for the employee to vest in the stock-based award, subject to discretion by Compensation Committee of the Board of Directors. There are no other substantive conditions for vesting. The Company recognizes compensation expense for equity awards, reduced by actual forfeitures as they are incurred, using the straight-line basis.

##### Restricted Stock

A summary of INNOVATE's restricted stock activity is as follows:

		Shares	Weighted Average Fair Value	Grant Date
		Shares		
Unvested -				
December 31, 2021	555,879	\$ 3.79		
Granted	1,031,611	\$ 2.41		
Vested	(400,395)	\$ 3.77		
Forfeited	(45,289)	\$ 3.68		
Unvested	Unvested	Shares	Shares	Weighted Average Fair Value
-	-			
December	December			
31, 2022	31, 2022	1,141,806	\$ 2.56	
Granted	Granted	506,955	\$ 2.57	
Vested	Vested	(871,153)	\$ 2.16	

Unvested -		
September 30, 2023	<u>777,608</u>	\$ 3.00
Unvested -		
December 31, 2023		
Unvested -		
December 31, 2023		
Unvested -		
December 31, 2023		
Granted		
Vested		
Unvested - March 31, 2024		
Unvested - March 31, 2024		
Unvested - March 31, 2024		

The aggregate vesting date fair value of the restricted stock awards which vested during the **nine** three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** was **\$1.7 million** **\$0.2 million** and **\$0.8 million**, respectively. As of **September 30, 2023** **March 31, 2024**, the total unrecognized stock-based compensation expense related to unvested restricted stock awards was **\$1.4 million** **\$1.2 million** and is expected to be recognized over the remaining **weighted average** **weighted-average** period of **1.5** **1.8** years.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED (Unaudited)

##### Stock Options

A summary of INNOVATE's stock option activity is as follows:

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2021	4,715,859	\$ 5.13
Granted	280,791	\$ 3.25
Expired	(1,500)	\$ 4.06
Outstanding and exercisable- December 31, 2022	4,995,150	\$ 5.02
Expired	(280,791)	\$ 3.25
Outstanding and exercisable - September 30, 2023	4,714,359	\$ 5.13

	Shares	Weighted Average Exercise Price
Outstanding - December 31, 2022	4,995,150	\$ 5.02
Expired	(352,339)	\$ 3.12
Outstanding and exercisable- December 31, 2023	4,642,811	\$ 5.17
Expired	(8,521)	\$ 1.46
Outstanding and exercisable - March 31, 2024	4,634,290	\$ 5.17

As of **September 30, 2023** **March 31, 2024**, the intrinsic value and weighted-average remaining life of the Company's outstanding and exercisable stock options were zero and approximately **0.8** **0.3** years, respectively. The maximum contractual term of the Company's exercisable stock options is approximately **10** **ten** years. As of **September 30, 2023** **March 31, 2024**, there were no unvested stock options and no unrecognized stock-based compensation expense related to unvested stock options.

##### 15. Temporary Equity and Equity

###### Rights Offering

On March 8, 2024, the Company commenced a \$19.0 million rights offering ("Rights Offering") for its common stock. Pursuant to the Rights Offering, the Company distributed to each holder of the Company's common stock, Series A-3 Convertible Participating Preferred Stock, Series A-4 Convertible Participating Preferred Stock and the 2026 Convertible Notes as of March 6, 2024 (the "rights offering record date"), transferable subscription rights to purchase 0.2858 shares of the Company's common stock at a price of \$0.70 per whole share.

Per the concurrent investment agreement entered into with Lancer Capital (the "Investment Agreement"), the Rights Offering was backstopped by Lancer Capital, an investment fund led by Avram A. Glazer, the Chairman of the Board and the Company's largest stockholder. Due to limitations on the common stock that can be issued to Lancer Capital under the rules of the New York Stock Exchange ("NYSE"), in lieu of exercising its subscription rights, pursuant to the Investment Agreement, Lancer Capital would purchase up to \$19.0 million of the Company's newly issued Series C Non-Voting Participating Convertible Preferred Stock (the "Series C Preferred Stock"), for an issue price of \$1,000 per share. In connection with the backstop commitment, and as a result of limitations in the amount common equity that can be raised under the Company's effective shelf registration statement on Form S-3, Lancer Capital also agreed to purchase an additional \$16.0 million of Series C Preferred Stock in a private placement transaction ("Concurrent Private Placement") to close concurrently with the settlement of the Rights Offering. Lancer Capital did not receive any compensation or other consideration for entering into or consummating the Investment Agreement.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

As the Rights Offering had not yet settled by March 28, 2024, in accordance with the Investment Agreement, Lancer Capital purchased \$25.0 million of Series C Preferred Stock, referred to as the "equity advance." Subsequent to quarter end, on April 24, 2024, the Company completed and closed on the Rights Offering and issued a total of 5,306,105 shares of common stock for \$3.7 million. Based on the number of shares of common stock actually sold upon exercise of the rights to third party investors, there were no excess shares of Series C Preferred Stock purchased by Lancer Capital under the equity advance that the Company was required to redeem, and Lancer Capital purchased an additional approximately 6,286 Series C Preferred Stock for \$6.3 million under the backstop commitment. The total gross proceeds received subsequent to quarter end were \$10.0 million.

The Company received \$35.0 million in aggregate gross proceeds related to the Rights Offering and Concurrent Private Placement. As of March 31, 2024, the Company had incurred \$1.8 million in dealer manager fees and other costs related to the Rights Offering and Concurrent Private Placement, of which \$1.3 million was allocated to the Series C Preferred Stock and \$0.5 million was capitalized into Additional paid in capital ("APIC"). An additional \$0.3 million in costs were incurred subsequent to quarter end. INNOVATE expects to use the net proceeds from the Rights Offering for general corporate purposes, including debt service and for working capital. As a result of the closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the amount of the greater of \$3.0 million or 12.5% of the net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the CGIC Unsecured Note.

Under the rules of the NYSE, because the shares purchased by Lancer Capital are greater than 20% of the Company's common stock outstanding before the issuance of the Series C Preferred Stock, those shares of Series C Preferred Stock may not be converted unless stockholder approval of such issuance is obtained. The Series C Preferred Stock are convertible into common stock at the price equivalent to the subscription price under the Rights Offering contingent on shareholder approval, which will be voted on at the next annual meeting. If the Series C Preferred Stock is not converted to common stock, it may be redeemed at the Company's option or on the sixth anniversary of issuance plus accrued interest of 8% which is only due upon redemption and not conversion. See "Series C Preferred Stock" below for additional information on the terms.

The Company waived its Tax Benefits Preservation Plan to permit persons exercising rights to acquire 4.9% or more of the outstanding common stock upon the exercise thereof without becoming an Acquiring Person (as defined in the Tax Benefits Preservation Plan).

The Backstop Commitment is defined as a financial instrument and is measurable at fair value at each reporting period. The transaction was negotiated by a special committee of independent members of the Company's board of directors at arm's-length, based on outside expert financial advice. The Company used both market observable inputs and unobservable data to derive the fair value as of the reporting date, and it is therefore classified as a Level 3 fair value measurement. The Series C shares issued in connection with the cash equity advance on March 28, 2024 are convertible into common shares at \$0.70 per share, which price is equal to the closing price of the Company's stock on March 28, 2024, the last business day of the quarter, and was also equal to the public Rights Offering purchase price per share. The fair value of the Backstop Commitment as of March 31, 2024, was therefore determined to be zero. The Backstop Commitment ceased upon the consummation of the Rights Offering.

**Preferred Shares**

The Company's preferred shares authorized, issued and outstanding consisted of the following:

	March 31, 2024	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Preferred shares authorized, \$0.001 par value					
Preferred shares authorized, \$0.001 par value					
Preferred shares authorized, authorized, \$0.001 par value	20,000,000		20,000,000		
Series A-3 shares issued and outstanding	6,125		6,125		
Series A-3 shares issued and outstanding					
Series A-3 shares					

issued and outstanding

Series A-4	shares	Series A-4	shares
issued and outstanding	10,000	issued and outstanding	10,000
Series C	shares		
issued and			
outstanding			

#### Series C Preferred Stock

On March 5, 2024 the Company issued a Certificate of Designation for 35,000 Series C Non-Voting participating Convertible Preferred Shares (the "Series C Preferred Stock"). The certificate of designation authorized the existing 20,000,000 shares of preferred stock, par value \$0.001 to apply to this series. On March 28, 2024, the Company amended its amended and restated certificate of incorporation by filing the Certificate of Designations of the Series C Preferred Stock (the "Series C Certificate of Designations") with the Secretary of State of the State of Delaware. The following summary of the terms of the Series C Preferred Stock is qualified in its entirety by reference to the complete Series C Preferred Stock certificate of designation.

The Series C Preferred Stock is intended to be the economic equivalent of common stock, participating on an as-converted basis in all dividends, distributions, merger consideration and all other consideration receivable by holders of common stock, and a means through which the Backstop Arrangement and Concurrent Private Placement can be effected prior to the completion of the stockholder vote and the satisfaction of any other regulatory requirements.

**Issuance.** On March 28, 2024, INNOVATE Corp. issued and sold 25,000 shares of its Series C Non-Voting Participating Convertible Preferred Stock, par value \$0.001 per share ("Series C Preferred Stock") for the aggregate purchase price of \$25.0 million to Lancer Capital. The Series C Preferred Stock, was recognized at fair value upon issuance, net of issuance costs of \$1.3 million.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The Series C Preferred Stock has been classified as temporary equity in the Company's Condensed Consolidated Balance Sheet with a redemption value of \$25.0 million and with a current carrying value of \$23.7 million as of March 31, 2024. The issued Series C Preferred Stock is classified as temporary equity as it is not mandatorily redeemable due to the presence of substantive conversion features, and will become mandatorily redeemable on the sixth anniversary of initial issuance if not previously converted. As the Series C Preferred Stock is contingently redeemable, subsequent accretion to redemption value including accreted dividends will only occur if the contingency is resolved and the redemption becomes probable (i.e., stockholder approval is no longer reasonably possible).

**Dividends.** The amount of dividends payable for each share of Series C Preferred Stock is equal to (a) the number of shares (including fractions) of common stock into which such share of Series C Preferred Stock is (or, but for the failure to obtain stockholder approval, would be) convertible on an applicable record date multiplied by (b) the amount of dividends declared and paid on each share of the Company's common stock; provided, however, that if the Company declares and pays a dividend on the common stock consisting in whole or in part of common stock, then no such dividend shall be payable in respect of the Series C Preferred Stock on account of the portion of such dividend on the common stock payable in common stock, and in lieu thereof, certain anti-dilution adjustments as discussed below will apply. If dividends are declared in respect of common stock that are payable in rights, options, warrants, or other convertible or exchangeable securities that entitle holders to acquire shares of common stock, the dividends payable to the Series C Preferred Stock will consist of substantially identical rights, options, warrants, or other securities that instead are convertible into, exercisable, or exchangeable for shares of convertible preferred stock with substantially identical terms and provisions as the Series C Preferred Stock.

**Conversion.** Prior to the approval by holders of the common stock of a proposal (the "Rights Offering Proposal") to approve the issuance of the common stock upon conversion of all of the Series C Preferred Stock in accordance with the rules of the NYSE, each holder of Series C Preferred Stock has the right to convert the Series C Preferred Stock held by such holder into a number of shares of common stock up to an amount permitted by the NYSE. The number of shares of common stock issuable upon conversion of each share of Series C Preferred Stock is equal to the result obtained by dividing (a) \$1,000 by (b) the conversion price then in effect (the "Series C Conversion Ratio"). The initial conversion price is \$0.70. The holders of Series C Preferred Stock have the option to convert the Series C Preferred Stock into common stock prior to the consummation of any merger, sale of all or substantially all assets of the Company, or other change of control transaction with a third party unaffiliated with any holder of the Series C Preferred Stock pursuant to which the Company will be delisted from the NYSE, following prior written notice. Pursuant to the Investment Agreement, the Company currently intends to seek stockholder approval for the conversion of the Series C Preferred Stock into shares of our common stock at its 2024 annual stockholders meeting.

Upon stockholder approval of the Rights Offering Proposal, each share of Series C Preferred Stock shall be automatically converted into such number of shares of common stock as described in the Series C Conversion Ratio, subject to any ownership or issuance limits imposed by the applicable rules and regulations to which the Company is then subject. As of the date of the prospectus supplement, there are no such ownership or issuance limits except for the NYSE rules described above.

If the Company (i) pays a dividend or makes any other distribution on or in respect of the common stock payable in common stock, (ii) subdivides or combines its outstanding shares of common stock into a greater or smaller number of shares, or (iii) issues or distributes any equity securities by reclassification of its common stock (other than any issuance constituting a dividend in which the holders of the Series C Preferred Stock participate), the applicable conversion price shall be adjusted as of the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or distribution or at the opening of business on the day following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, so that the holders of the Series C Preferred Stock shall, upon surrender thereafter of any shares of Series C Preferred Stock for conversion, be entitled to receive the number of shares of common stock that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such Series C Preferred Stock been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. In the case of any consolidation or merger of the Company with another entity, as a result of which shares of common stock shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities of the Company or another entity or any other property or assets, then the holders of Series C Preferred Stock shall thereafter have the right to receive upon surrender thereafter of their shares of Series C Preferred Stock for conversion, such shares of common stock and/or securities and/or other property or assets as may be issued or payable with respect to or in exchange for the number of

shares of common stock that would otherwise have been received by such holders had they converted the Series C Preferred Stock immediately prior to the effective date of such merger or consolidation.

*Redemption by the Holders / Automatic Conversion.* At any time prior to conversion of the shares of Series C Preferred Stock into common stock, the Company may, at its option, redeem the shares of Series C Preferred Stock, in whole or in part, at a redemption price per share of Series C Preferred Stock in cash and equal to \$1,000 plus 8.0% per annum uncompounded for the period from the issuance date to the applicable redemption date (the "Series C Redemption Price"). The Series C Preferred Stock shall be redeemed on the sixth anniversary of the initial issuance of shares of the Series C Preferred Stock at a price per share payable in cash and equal to the Series C Redemption Price.

INNOVATE CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

*Liquidation Preference.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series C Preferred Stock will be entitled to receive, after payments to the holders of outstanding shares of the Company's Series A-3 Preferred Stock and Series A-4 Preferred Stock, the holders of the Series C Preferred Stock shall be entitled to share ratably with the holders of the Common Stock (and all other classes and series of stock entitled to participate with the Common Stock) in the remaining assets of the Company on the basis that such holders would share if all outstanding shares of Series C Preferred Stock were then converted into Common Stock; provided, that in the event that such payment would be less than \$0.001 per share of Series C Preferred Stock, the holders of the Series C Preferred Stock shall instead be entitled to receive out of the assets of the Company available for distribution to its stockholders, whether from capital, surplus or earnings, an amount per share of Series C Preferred Stock equal to \$0.001 per share (or if less than \$0.001 per share is available for distribution in respect of the Series C Preferred Stock, then all such remaining funds shall be distributed pro rata in respect of the Series C Preferred Stock), before any payment or distribution shall be made to the holders of the common stock (or any other class or series of stock entitled to participate with the common stock). For this purpose, neither a consolidation nor merger of the Company with one or more other corporations, nor a sale or a transfer of all or substantially all of the assets of the Company, shall be deemed to be a liquidation, winding-up or dissolution, voluntary or involuntary, of the Company.

*Voting Rights.* The holders of record of shares of the Series C Preferred Stock shall have no voting rights, except as prescribed by General Corporation Law of the State of Delaware or as may be required by the NYSE.

*Consent Rights.* For so long as any of the Series C Preferred Stock is outstanding, consent of the holders of shares representing a majority of the Series C Preferred Stock then outstanding is required for certain material actions.

As of March 31, 2024, the 25,000 Series C Preferred Stock was convertible into 35,714,285 of INNOVATE's common stock. Subsequent to quarter end, on and as of April 24, 2024, upon completion of the Rights Offering and Concurrent Private Placement, approximately 6,286 shares of Series C Preferred Stock were issued, and the approximate 31,286 Series C Preferred Stock are convertible into 44,693,895 of INNOVATE's common stock.

**Series A-3 and Series A-4 Shares**

*Issuance and Conversion.* On July 1, 2021 (the "Exchange Date") as a part of the sale of Continental Insurance Group ("CIG"), INNOVATE entered into an exchange agreement (the "Exchange Agreement") with Continental General Insurance Company ("CGIC"), also a former subsidiary, which held the remaining shares of the Company's previous Series A and Series A-2 Preferred Stock and was eliminated in consolidation prior to the sale of the Company's former insurance segment on July 1, 2021. Per the Exchange Agreement, INNOVATE exchanged 6,125 shares of the Series A and 10,000 shares of the Series A-2 shares that CGIC held for an equivalent number of Series A-3 Convertible Participating Preferred Stock ("Series A-3") and Series A-4 Convertible Participating Preferred Stock ("Series A-4"), respectively. The terms remained substantially the same, except that the Series A-3 and Series A-4 will mature on July 1, 2026. A cash payment of \$0.3 million was made as a part of the exchange for accrued and unpaid dividends on the Series A and Series A-2 being exchanged.

Upon issuance of the Series A-3 and Series A-4 Preferred Stock on July 1, 2021, the Series A-3 and Series A-4 have been classified as temporary equity in the Company's Consolidated Balance Sheet with a combined redemption value of \$16.1 million and with a current fair value of \$16.7 million as of September 30, 2023, March 31, 2024, which is inclusive of \$0.3 million of accrued dividends payable.

*Dividends.* The Series A-3 and Series A-4 Preferred Stock accrue a cumulative quarterly cash dividend at an annualized rate of 7.50%. The accrued values of the Series A-3 and Series A-4 Preferred Stock accrete quarterly at an annualized rate of 4.00% that is reduced to 2.00% or 0.0% if the Company achieves specified rates of growth measured by increases in its net asset value; provided, that the accreting dividend rate will be 7.25% in the event that (A) the daily volume weighted average price ("VWAP") of the Company's common stock is less than a certain threshold amount, (B) the Company's common stock is not registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, (C) the Company's common stock is not listed on certain national securities exchanges or the Company is delinquent in the payment of any cash dividends. The Series A-3 and Series A-4 Preferred Stock is also entitled to participate in cash and in-kind distributions to holders of shares of Company's common stock on an as-converted basis.

*Subsequent Measurement.* The Company elected to account for the Series A-3 and Series A-4 Preferred Stock by immediately recognizing changes in the redemption value as they occur. The carrying values of the Series A-3 and Series A-4 Preferred Stock are adjusted to equal what the redemption amount would be as if the redemption were to occur at the end of the reporting period as if it were also the redemption date for the Series A-3 and Series A-4 Preferred Stock. Any cash dividends paid directly reduce the carrying value of the Series A-3 and Series A-4 Preferred Stock until the carrying value equals the redemption value. Once the carrying value is equal to the redemption value, the dividends declared are accrued by debiting retained earnings, or if retained earnings is a deficit, then by debiting additional paid in capital. The Company has a history of paying dividends on its preferred stock Series A-3 and Series A-4 Preferred Stock and expects to continue to pay such dividends each quarter.

INNOVATE CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Unaudited)

*Optional Conversion.* Each share of Series A-3 and Series A-4 may be converted by the holder into shares of the Company's common stock at any time based on the then-applicable Conversion Price. Each share of Series A-3 is initially convertible at a conversion price of \$4.25 (as it may be adjusted from time to time, the "Series A-3 Conversion Price"), and each share of Series A-4 is initially convertible at a conversion price of \$8.25 (as it may be adjusted from time to time, the "Series A-4 Conversion Price") ("collectively the "Conversion Prices"). The Conversion Prices are subject to adjustment for dividends, certain distributions, stock splits, combinations, reclassifications, reorganizations, mergers, recapitalizations and similar events, as well as in connection with issuances of equity or equity-linked or other comparable securities by the Company at a price per share (or with a conversion or exercise price or effective issue price) that is below the Conversion Prices' (which adjustment shall be made on a weighted average basis). Actual conversion prices at the time of the exchange in 2021 were \$3.52 for the Series A and \$5.33 for the Series A-2. As a result of the Rights Offering and due to the anti-dilution provisions contained in the terms of the Series A-3 Preferred Stock and Series A-4 Preferred Stock, as of March 31, 2024, the conversion prices of the Series A-3 Preferred Stock was \$2.71 and the conversion price of the Series A-4 Preferred Stock was \$4.02. Subsequent to quarter end, upon completion of the Rights Offering and Concurrent Private Placement, as a result of the anti-dilution provisions contained in the terms of the Series A-3 Preferred Stock and Series A-4 Preferred Stock, the conversion prices were further adjusted and, as of April 24, 2024, the conversion price of the Series A-3 Preferred Stock was \$2.38 and the conversion price of the Series A-4 Preferred Stock was \$3.47.

*Redemption by the Holders / Automatic Conversion.* On July 1, 2026, holders of the Series A-3 and Series A-4 shall be entitled to cause the Company to redeem the Series A-3 and Series A-4 at the accrued value per share plus accrued but unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4). Each share of Series A-3 and Series A-4 that is not so redeemed will be automatically converted into shares of the Company's common stock at the Conversion Price then in effect.

Upon a change of control (as defined in each Certificate of Designation) holders of the Series A-3 and Series A-4 shall be entitled to cause the Company to redeem their shares of Series A-3 and Series A-4 at a price per share of Series A-3 and Series A-4 equal to the greater of (i) the accrued value of the Series A-3 and Series A-4, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4 Preferred Stock), and (ii) the value that would be received if the share of Series A-3 and Series A-4 were converted into shares of the Company's common stock immediately prior to the change of control.

*Redemption by the Company / "Company Call Option".* At any time, the Company may redeem the Series A-3/Series A-4, in whole but not in part, at a price per share generally equal to 150% of the accrued value per share, plus accrued but unpaid dividends (to the extent not included in the accrued value of the Series A-3/Series A-4), subject to the holder's right to convert prior to such redemption.

*Forced Conversion.* The Company may force conversion of the Series A-3 and Series A-4 into shares of the Company's common stock if the common stock's thirty-day VWAP exceeds 150% of the then-applicable Conversion Price and the Common Stock's daily VWAP exceeds 150% of the then-applicable Conversion Price for at least twenty twenty trading days out of the thirty trading day period used to calculate the thirty-day 30-day VWAP. In the event of a forced conversion, the holders of Series A-3 and Series A-4 will have the ability to elect cash settlement in lieu of conversion if certain market liquidity thresholds for the Company's common stock are not achieved.

*Liquidation Preference.* In the event of any liquidation, dissolution or winding up of the Company (any such event, a "Liquidation Event"), the holders of Series A-3 and Series A-4 will be entitled to receive per share the greater of (i) the accrued value of the Series A-3 and Series A-4, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Series A-3 and Series A-4), and (ii) the value that would be received if the share of Series A-3 and Series A-4 were converted into shares of the Company's common stock immediately prior to such occurrence. The Series A-3 and Series A-4 will rank junior to any existing or future indebtedness but senior to the Company's common stock and any future equity securities other than any future senior or pari passu preferred stock issued in compliance with each Certificate of Designation. The Series A-3 Preferred Stock and the Series A-4 Preferred Stock rank at parity.

*Voting Rights.* Except as required by applicable law, the holders of the shares of the Series A-3 and Series A-4 will be entitled to vote on an as-converted basis with the holders of the Company's common stock on all matters submitted to a vote of the holders of the Company's common stock with the holders of Series A-3 Preferred Stock and Series A-4 Preferred Stock on certain matters, and separately as a class on certain limited matters.

*Consent Rights.* For so long as any of the Series A-3 and Series A-4 is outstanding, consent of the holders of shares representing at least 75% of certain of the Series A-3 and Series A-4 then outstanding is required for certain material actions.

*Participation Rights.* Pursuant to the securities purchase agreements entered into with the initial purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock, subject to meeting certain ownership thresholds, certain purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock are entitled to participate, on a pro-rata basis in accordance with their ownership percentage, determined on an as-converted basis, in issuances of equity and equity linked securities by the Company. In addition, subject to meeting certain ownership thresholds, certain initial purchasers of the Series A-3 Preferred Stock and the Series A-4 Preferred Stock will be entitled to participate in issuances of preferred securities and in debt transactions of the Company.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

As of September 30, 2023 December 31, 2023, the Series A-3 Preferred Stock and Series A-4 Preferred Stock were convertible into 1,740,700 and 1,875,533 shares, respectively, of INNOVATE's common stock. As a result of the issuance of the Series C Preferred Stock in 2024, due to the anti-dilution provisions contained in the terms of the Series A-3 Preferred Stock and Series A-4 Preferred Stock, the conversion prices were adjusted, and as of March 31, 2024, the Series A-3 Preferred Stock and Series A-4 Preferred Stock were convertible into 2,256,983 and 2,488,367 shares, respectively, of INNOVATE's common stock. Subsequent to quarter end, upon completion of the Rights Offering and Concurrent Private Placement, as a result of the anti-dilution provisions contained in the terms of the Series A-3 Preferred Stock and Series A-4 Preferred Stock, the conversion prices were further adjusted and, as of April 24, 2024, the Series A-3 Preferred Stock and Series A-4 Preferred Stock were convertible into 2,569,858 and 2,881,761 shares, respectively, of INNOVATE's common stock.

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Unaudited)

#### Series A-3 and Series A-4 Preferred Share Dividends

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, INNOVATE's Board of Directors (the "Board") declared cash dividends with respect to INNOVATE's issued and outstanding Series A-3 Preferred Stock and Series A-4 Preferred Stock, as presented in the following table (in millions):

2023			
Declaration Date and Holders of Record Date		March 31, 2023	September 30, 2023
Payment Date		April 17, 2023	October 13, 2023
Total Dividend	\$	0.3	0.3

2024			
Declaration Date and Holders of Record Date		March 31, 2024	
Payment Date		April 15, 2024	
Total Dividend	\$		0.3

2022			
Declaration Date and Holders of Record Date		March 31, 2022	September 30, 2022
Payment Date		April 15, 2022	October 15, 2022
Total Dividend	\$	0.3	0.3

2023			
Declaration Date and Holders of Record Date		March 31, 2023	
Payment Date		April 17, 2023	
Total Dividend	\$		0.3

#### DBMGI Series A Preferred Stock

**Issuance.** On November 30, 2018, **Continental General Insurance Company ("CGIC")** CGIC purchased 40,000 shares of DBMGI's Series A Fixed-to-Floating Rate Perpetual Preferred Stock (the "DBMGI Series A Preferred Stock"), which was then eliminated in consolidation. On July 1, 2021, as a part of the sale of **Continental Insurance Group ("CIG")** CGIC, which resulted in the deconsolidation of the entity, the Company was deemed to have issued \$40.9 million of DBMGI Series A Preferred Stock to the then deconsolidated CGIC. Upon the deemed issuance of the DBMGI Series A Preferred Stock on July 1, 2021, the DBMGI Series A Preferred Stock was classified as temporary equity in the Company's **Condensed Consolidated Balance Sheet**. There are 500,000 shares with a par value of \$0.001 each authorized for issuance. Subsequent to the issuance of the DBMGI Series A Preferred Stock, 1,820.25 shares were issued as payment in kind for dividends, resulting in a total of 41,820.25 shares of DBMGI's Series A Preferred Stock outstanding.

**Redemption.** The DBMGI Series A Preferred Stock **is/was** redeemable at any time, in whole or in part, at the option of the Company, or at any time or by the holder prior to July 2026. On March 15, 2023, DBMGI received a redemption notice from CGIC requesting that DBMGI redeem 41,820.25 shares of DBMGI Series A Preferred Stock, representing all of the issued and outstanding shares of DBMGI Series A Preferred Stock, within 60 days of the notice, or by May 15, 2023. On May 9, 2023, the Company entered into a Stock Purchase Agreement and Subordinated Unsecured Promissory Note with CGIC whereby INNOVATE purchased the 41,820.25 shares of DBMGI Series A Preferred Stock for full satisfaction of the redemption notice. In full consideration of the DBMGI Series A Preferred Stock as well as the accrued dividend of \$0.4 million, the Company paid CGIC \$7.1 million on May 9, 2023, and issued a subordinated unsecured promissory note to CGIC in the principal amount of \$35.1 million. The promissory note is due February 28, 2026, and bears interest at **9% 9.0%** per annum through May 8, 2024, **16% 16.0%** per annum from May 9, 2024 to May 8, 2025, and **32% 32.0%** per annum thereafter. Refer to Note 11. Debt Obligations for additional information on the promissory note.

The DBMGI Series A Preferred Stock was measured each reporting period at its maximum redemption value, which was equal to the stated value plus all accrued, accumulated and unpaid dividends as of the end of each reporting period, as they were currently redeemable. The carrying amount as of May 9, 2023 was \$41.8 million as well as the accrued dividend of \$0.4 million and, subsequently, there was no gain or loss on the purchase of the DBMGI Series A Preferred Stock from CGIC.

**Dividends.** The DBMGI Series A Preferred Stock accrued a cumulative quarterly cash or payment in kind dividend at a rate of (a) for the first five years following the date of issuance, (i) 9.00% per annum if dividends are paid in kind or (ii) 8.25% per annum if dividends are paid in cash and (b) starting on the fifth anniversary of the date of issuance, a rate per annum equal to (i) LIBOR (as defined in the Certificate of Designation) plus a spread of 5.85% (together, the "LIBOR Rate") per annum, plus 0.75% if dividends are paid in kind or (ii) the LIBOR Rate per annum in the case of dividends paid in cash. Subsequent to the transition away from LIBOR beginning in 2023, the Certificate of Designation allows for a LIBOR Successor Rate, which allows the Company to reasonably determine an alternate benchmark rate (including any mathematical or other adjustments to the benchmarks (if any) incorporated therein) giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks. Subsequent to May 9, 2023, the date that INNOVATE purchased the DBMGI Series A Preferred Stock, the dividends are eliminated on consolidation. **The**

#### INNOVATE CORP.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

During the three months ended March 31, 2023, DBMGI's Board of Directors declared dividends with respect to DBMGI's issued and equivalent amounts paid (excluding amounts eliminated on consolidation) are outstanding DBMGI Series A Preferred Stock, as presented in the following **table** (in millions):

2023			
Declaration Date and Holders of Record Date		March 31, 2023	May 9, 2023 *
Payment Date		April 17, 2023	May 9, 2023 *
Total Dividend	\$	0.9	0.4

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Declaration Date and Holders of Record Date	March 31, 2023
Payment Date	April 17, 2023
Total Dividend	\$ 0.9

The above dividend was paid in cash. In addition to this cash dividend, in connection with the Stock Purchase Agreement entered into with CGIC on May 9, 2023, an equivalent amount to the dividends dividend of \$0.4 million that had accrued through May 8, 2023 was paid to settled with CGIC on May 9, 2023 as part of the purchase price. \$0.1 million was paid in cash and \$0.3 million was included in the principal amount of the new unsecured note that was issued on May 9, 2023. The dividends that accrued for the remaining portion of those periods were eliminated on consolidation subsequent to the purchase.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
(Unaudited)

**2022**

Declaration Date and Holders of Record Date	March 31, 2022	June 30, 2022	September 30, 2022
Payment Date	April 15, 2022	July 15, 2022	October 15, 2022
Total Dividend**	\$ 0.9	\$ 0.9	\$ 0.9

\*\*The dividends paid on April 15, 2022 and October 15, 2022 were cash dividends. The DBMGi Board of Directors elected to pay the second quarter 2022 dividend payable July 15, 2022 in shares.

**Redeemable R2 Technologies Non-Controlling Interest Interests**

The Company has redeemable and non-redeemable non-controlling interests related to R2 Technologies in the form of convertible preferred stock that is redeemable upon the occurrence of a change in control, as defined in the respective agreements, i.e., agreements. If an event that is not solely within the control of the Company, and it is therefore, classified outside of permanent equity in the mezzanine section of the Company's Condensed Consolidated Balance Sheets. The Company adjusts the carrying value of these redeemable the non-controlling interests based on an allocation of subsidiary earnings (losses) based on ownership interests. As of September 30, 2023 March 31, 2024 and December 31, 2023, it was not deemed probable that the amounts in non-controlling interest interests will become redeemable as no change in control has occurred or is expected to occur; therefore, no additional adjustment adjustments or remeasurement is required under ASC 480-10. As a result of the allocation of losses in accordance with ASC 810, the redeemable non-controlling interest related to R2 Technologies was negative \$8.4 \$1.2 million and negative \$3.8 \$1.0 million as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively. As of March 31, 2024 and December 31, 2023, the Company had negative \$12.9 million and negative \$10.5 million, respectively, of R2 Technologies non-controlling interests reflected within Non-controlling interests within the Consolidated Balance sheets.

**R2 Technologies - Liquidation Preference**

R2 Technologies has issued multiple A, B, and C-series participating convertible preferred stock (the "R2 Technologies Preferred Shares"), all of which contain a liquidation preference. In the event of a liquidation event, each Preferred Share has a liquidation preference to be paid out of the assets legally available for distribution, which entitles the holder of each series A and series C R2 Technologies Preferred Share to receive, before any payments to holders of junior securities, the sum of the following: (i) the accrued value in cash; (ii) all accrued and unpaid dividends, including basic dividends and accreting dividends, if any, and (iii) an amount, in cash or otherwise, equivalent to what the holder would receive if they had converted the R2 Technologies Preferred Shares into R2 Technologies common stock or reference property just before the liquidation event. Series B R2 Technologies Preferred Shareholders would be entitled to receive, before any payments to holders of junior securities, the greater of (i) the sum of (A) the accrued value in cash, plus (B) all accrued and unpaid dividends, including basic dividends and accreting dividends, if any, or (ii) an amount, in cash or otherwise, equivalent to what the holder would receive if they had converted the R2 Technologies Preferred Shares into R2 Technologies common stock or reference property just before the liquidation event.

If the assets of R2 Technologies legally available for distribution are insufficient to pay these obligations in full, R2 Technologies Preferred Shareholders and holders of any parity securities share the remaining assets in proportion to the full respective amounts to which they are entitled. After receiving the full liquidation preference, R2 Technologies Preferred Shareholders have no further claim to R2's R2 Technologies' assets, except for any new securities or instruments received as part of the liquidation preference. The value of non-cash assets distributed equals their fair market value on the distribution date. No holder of junior securities receives any payment unless the entire liquidation preference of R2 Technologies Preferred Shares is paid. If there is insufficient cash to pay the entire liquidation preference and any liquidation preference in respect of any parity securities in full in cash upon a liquidation event, R2 Technologies Preferred Shareholders and parity securities holders will share available cash proportionally.

R2 Technologies' total liquidation preference upon a hypothetical liquidation event, including the liquidation preference for Pansend Life Sciences, LLC was \$110.2 \$114.5 million and \$104.0 \$112.3 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 respectively, of which \$47.1 \$48.9 million and \$44.5 \$48.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, was attributable to redeemable and non-redeemable non-controlling interests, inclusive of initial preferred stock and unpaid accrued dividends. However, as of September 30, 2023, both March 31, 2024 and December 31, 2022 December 31, 2023, R2 Technologies had negative net assets after consideration of intercompany and third party debt, and, therefore, there would be no legally available funds to satisfy such liquidation preferences upon a hypothetical liquidation event.

**Stockholders' Rights Agreement - Tax Benefits Preservation Plan**

On August 30, 2021 Subsequent to quarter end, on May 6, 2024, the Company entered into a terminated its Tax Benefits Preservation Plan entered into on April 1, 2023 (the "Preservation" "2023 Preservation Plan") with Computershare Trust Company, N.A., as Rights Agent. The because the Company's Board of Directors determined that the 2023 Preservation Plan is designed to protect was no longer necessary or desirable for the preservation of the Company's ability to use its tax net operating losses and other certain other tax assets ("Tax Benefits") by deterring an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (the "Code"). If any person or group acquires 4.9% or more of the outstanding shares of the Company's common stock (subject to certain exceptions), there would be a triggering event under the Preservation Plan which could result in significant dilution in the ownership interest of such person or group. As such, the Preservation Plan has anti-takeover effects. assets.

In connection with the adoption termination of the 2023 Preservation Plan, the Company disclosed that given will be taking routine actions to deregister the change-over related preferred stock purchase rights under the Securities Exchange Act of 1934, and to delist the preferred stock purchase rights from the NYSE These actions are administrative in nature and will have no effect on the Company's stock over the past several years, the Company was approaching the risk of losing its Tax Benefits. The Preservation Plan terminated on March 31, 2023.

On April 1, 2023, as a result of the expiration of the Preservation Plan on March 31, 2023, the Company entered into a new Tax Benefits Preservation Plan (the "2023 Plan") with Computershare Trust Company, N.A., as rights agent (the "Rights Agent"), and the Board of Directors of the Company declared a dividend distribution of one right (a "Right") for each outstanding share of common stock, par value \$0.001 per share, of which will continue to be listed on the Company (the "Common Stock") to stockholders of record at the close of business on April 10, 2023 (the "Record Date"). Each Right is governed by the terms of the Plan and entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share (a "Unit") of Series B Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock"), at a purchase price of \$15.00 per Unit, subject to adjustment (the "Purchase Price").

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED  
(Unaudited)

**Rights Certificates and Exercise Period**

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding, and no separate rights certificates ("Rights Certificates") will be distributed. Subject to certain exceptions specified in the 2023 Plan, the Rights will separate from the Common Stock then outstanding and a distribution date (the "Distribution Date") will occur upon the earlier of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has become the beneficial owner of 4.9% or more of the shares of the Common Stock (the "Stock Acquisition Date") and (ii) 10 business days (or such later date as the Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person.

Until the Distribution Date, (i) the Rights will be evidenced by the Common Stock certificates (or, in the case of book entry shares, by the notations in the book entry accounts) and will be transferred with and only with such Common Stock, (ii) new Common Stock certificates issued after the Record Date will contain a notation incorporating the 2023 Plan by reference and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificates. Pursuant to the 2023 Plan, the Company reserves the right (prior to the occurrence of a Triggering Event (as defined below) and upon any exercise of Rights) to make the necessary and appropriate rounding adjustments so that only whole shares of Series B Preferred Stock will be issued.

The definition of "Acquiring Person" contained in the 2023 Plan contains several exemptions, including for (i) the Company or any of the Company's subsidiaries; (ii) any employee benefit plan of the Company, or of any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; (iii) any person who becomes the beneficial owner of 4.9% or more of the shares of the Common Stock then outstanding as a result of (x) a reduction in the number of shares of Common Stock by the Company due to a or (y) a stock dividend, stock split, reverse stock split or similar transaction, unless and until such person increases his ownership by more than 0.5% over such person's lowest percentage stock ownership on or after the consummation of the relevant transaction; (iv) any person who, together with all affiliates and associates of such person, was the beneficial owner of 4.9% or more of the shares of the Common Stock then outstanding on the date of the 2023 Plan, unless and until such person and its affiliates and associates increase their aggregate ownership by more than 0.5% over their lowest percentage stock ownership on or after the date of the 2023 Plan or decrease their aggregate percentage stock ownership below 4.9%; (v) any person who, within 10 business days of being requested by the Company to do so, certifies to the Company that such person became an Acquiring Person inadvertently or without knowledge of the terms of the Rights and who, together with all affiliates and associates, thereafter within 10 business days following such certification disposes of such number of shares of Common Stock so that it, together with all affiliates and associates, ceases to be an Acquiring Person; (vi) any person that the Board, in its sole discretion, has affirmatively determined shall not be deemed an Acquiring Person.

The Rights are not exercisable until the Distribution Date and will expire at the earliest of (i) 11:59 p.m. (New York City time) on October 1, 2023 or such later date and time as may be determined by the Board and approved by the stockholders of the Company by a vote of the majority of the votes cast by the holders of shares entitled to vote thereon at a meeting of the stockholders of the Company prior to 11:59 p.m. (New York City time) on October 1, 2023 (which later date and time shall be in no event later than 11:59 p.m. (New York City time) on October 1, 2026), (ii) the time at which the Rights are redeemed or exchanged as provided in the 2023 Plan, (iii) the time at which the Board determines that the 2023 Plan is no longer necessary or desirable for the preservation of Tax Benefits, and (iv) the close of business on the first day of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward.

On June 15, 2023, holders of the Company's Common Stock and Preferred Stock, voting as a single class and with the Preferred Stock voting on an as-converted basis, voted to ratify the amendment of the Tax Benefit Preservation Plan adopted by the Board of Directors on April 1, 2023, to extend the Final Expiration Date from October 1, 2023 to June 30, 2024, or such later date and time as may be subsequently approved.

**16. Related Parties**

**Non-Operating Corporate**

In September 2018, the Company entered into a 75-month lease for office space, space which expires in December 2024. As part of the agreement, INNOVATE was able to pay a lower security deposit and lease payments, and received favorable lease terms as consideration for landlord required cross default language in the event of default of the shared space leased by Harbinger Capital Partners, a company controlled by a former CEO of INNOVATE and formerly a related party, in the same building. With the adoption of ASC 842, as of January 1, 2019, this lease was recognized as a right-of-use asset and lease liability on the Condensed Consolidated Balance Sheets.

On May 9, 2023, the Company entered into a Stock Purchase Agreement and Subordinated Unsecured Promissory Note with CGIC, a significant shareholder, in the principal amount of \$35.1 million. Refer to Note 11. Debt Obligations and Note 15. Temporary Equity and Equity for additional information. For

In December 2023, the Company had entered into a sublease agreement for a special purpose space with PBCIC, a Florida not-for-profit corporation and related party to Avram A. Glazer, the Chairman of INNOVATE's Board of Directors and a significant shareholder, who is also on the board of directors of PBCIC. In March 2024, the Company assigned this lease to an entity controlled by Mr. Glazer. In addition, in March 2024, the Company assigned a lease for office space to an entity controlled by Mr. Glazer. Refer to Note 9. Leases for additional information.

Lancer Capital, an entity controlled by Avram A. Glazer, held \$2.0 million of principal amount of the Company's \$51.8 million 7.5% 2026 Convertible Notes, as of both March 31, 2024 and December 31, 2023. The \$2.0 million in notes are convertible into 468,594 shares of common stock of INNOVATE Corp. Refer to Note 11. Debt Obligations for additional information on the 2026 Convertible Notes. During both the three and nine months ended September 30, 2023 March 31, 2024 and , 2023, Lancer Capital earned \$37.5 thousand in interest expense recognized relating to the contractual interest coupon was \$0.8 million and \$1.3 million, respectively. these notes.

As detailed in Note 15. Temporary Equity and Equity, during the first quarter of 2024, in connection with the Rights Offering, the Company entered into an Investment Agreement with Lancer Capital, pursuant to which Lancer Capital agreed to the Backstop Commitment to purchase up to \$19.0 million of Series C Preferred Stock in connection with the Rights Offering and to purchase \$16.0 million

of Series C Preferred Stock in a Concurrent Private Placement, of which \$25.0 million would be purchased before the closing of the Rights Offering if the Rights Offering did not close by March 28, 2024. As a result of the extension of the Rights Offering, on March 28, 2024, Lancer Capital funded \$25.0 million to the Company and received 25,000 shares of Series C Preferred Stock. As a result, Lancer Capital's beneficial ownership increased from 29.1% as of March 5, 2024 immediately prior to the start of the Rights Offering to 48.8% as of March 31, 2024. Subsequent to quarter end, on April 24, 2024, as a result of the closing of the Rights Offering and Concurrent Private Placement, Lancer Capital purchased approximately 6,286 shares of Series C Preferred Stock, increasing Lancer Capital's beneficial ownership to 52.1%. Refer to Note 15. Temporary Equity and Equity for additional details.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

**(Unaudited)**

**Infrastructure**

Banker Steel previously leased two planes from Banker Aviation, LLC, a former related party and entity that is owned by Donald Banker, who was the CEO of Banker Steel. During Steel until December 2023. Both leases had been terminated by the first fourth quarter of 2022, one of the two plane leases was terminated. The remaining lease has monthly lease payments of \$0.1 million and a total lease liability of \$0.2 million. 2023. For both the three months ended September 30, 2023 and 2022, DBMG incurred lease expense related to these leases of \$0.3 million. For both the nine months ended September 30, 2023 and 2022, March 31, 2023, DBMG incurred related lease expense related to these leases expenses of \$1.0 \$0.3 million.

DBMG and Banker Steel, jointly and severally, have a subordinated 4.0% note payable to Banker Steel's former owner, in which Donald Banker's family trust has a 25% interest, and jointly and severally also have had a subordinated 8.0% note payable to Donald Banker's family trust. As of September 30, 2023, the 4.0% note payable had a balance of \$7.5 million and the 8.0% note payable had a balance of \$12.1 million, which was fully paid off in December 2023. During the nine three months ended September 30, 2023 March 31, 2024, DBMG made \$9.0 \$2.5 million in scheduled payments on these notes and made an early payment of \$5.0 million on the 8.0% subordinated 4.0% note. For the three months ended September 30, 2023 March 31, 2024 and 2022, DBMG incurred aggregate interest expense related to these notes of \$0.3 million and \$0.6 million, respectively. For the nine months ended September 30, 2023 and 2022, DBMG incurred interest expense related to these notes of \$1.3 million and \$1.8 million, respectively. Accrued interest relating to these notes was \$0.3 million approximately \$25 thousand and \$0.5 million, respectively. There was \$24 thousand accrued interest as of September 30, 2023 March 31, 2024, and December 31, 2022 accrued interest was \$0.1 million as of December 31, 2023. The 4.0% note and associated accrued interest matured on March 31, 2024, respectively.

Banker Steel also previously had a subordinated 11.0% note payable to Donald Banker of \$6.3 million, which was fully redeemed in full by DBMG on April 4, 2022 April 2, 2024. For the nine months ended September 30, 2022, DBMG incurred interest expense related to this note of \$0.2 million.

**Life Sciences**

During 2022, R2 Technologies entered into an aggregate \$10.8 million in 18% notes with Lancer, a related party, an entity controlled by Avram A. Glazer, the Chairman As of INNOVATE's Board of Director. In February 2023, R2 Technologies closed on an additional aggregate \$0.9 million in 18% notes with Lancer. On March 31, 2023 March 31, 2024 and December 31, 2023, R2 Technologies entered into an exchange agreement with Lancer, which terminated all prior outstanding notes had \$20.7 million and simultaneously issued a new 20% note with an aggregate original \$17.4 million, respectively, in principal amount of \$13.0 million, which comprised of all prior outstanding principal amounts and unpaid accrued interest which was capitalized into the new principal balance. Future interest will be payable upon maturity of the note. During the second and third quarters of 2023, R2 Technologies closed on an additional \$2.7 million and \$1.7 million, respectively, in 20% 20.0% senior secured promissory notes with Lancer. As of September 30, 2023, the total outstanding principal amount owed due to Lancer was \$17.4 million. In addition, during the third quarter of 2023, R2 entered into an amendment with Lancer to extend the maturity date of all outstanding 20% notes to the earlier of November 15, 2023 or within 5 business days of the date on which R2 receives an aggregate \$20.0 million from the consummation of a debt or equity financing.

Capital. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, R2 Technologies recognized interest expense of \$0.9 million and \$0.5 million, respectively, related to the contractual interest coupon with on the notes due to Lancer Capital. As part of \$0.8 the agreement, all unpaid accrued interest on the new note is capitalized into the principal balance on a monthly basis. As a result, an additional \$0.7 million of unpaid accrued interest incurred subsequent to January 31, 2024, was capitalized into the principal balance during the three months ended March 31, 2024. As of March 31, 2024, all unpaid accrued interest on the new note had been capitalized into the principal balance, and \$2.0 there was no accrued interest payable. As of December 31, 2023, the related accrued interest payable not capitalized into the principal balance was \$2.4 million. The accrued exit fee was \$2.2 million respectively, as of March 31, 2024. Subsequent to quarter end, effective April 30, 2024, the note was extended to May 17, 2024, and the exit fee payable was updated to 10.71% of the principal amount for repayments made after May 1, 2024. Refer to Note 11. Debt Obligations for additional information.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

For both the three and nine months ended September 30, 2022, R2 Technologies recognized interest expense related to the contractual interest coupon with Lancer Capital, LLC of \$0.2 million.

For the three months ended September 30, 2022, March 31, 2024 and 2023, R2 Technologies recognized revenues of \$0.9 \$0.2 million from sales to and profit sharing agreements from a subsidiary of Huadong, a related party of R2 Technologies. For the nine months ended September 30, 2023 and 2022, R2 Technologies recognized revenues As of \$0.2 million and \$1.9 million, respectively, March 31, 2024 related receivables from sales to a this subsidiary of Huadong a related party of R2 Technologies. The totaled \$0.1 million, and there were no related receivables totaled \$0.1 million and \$0.6 million from this subsidiary of Huadong as of September 30, 2023 and December 31, 2022, respectively, December 31, 2023.

For both the three months ended September 30, 2023 March 31, 2024 and 2022, R2 Technologies incurred approximately \$0.1 million of stock compensation and royalty expenses that were paid related to Blossom Innovations, LLC, ("Blossom"), an investor and related party of R2 Technologies. For the nine months ended September 30, 2023 and 2022, R2 Technologies incurred approximately \$0.2 million and \$0.3 million, respectively, of stock compensation and royalty expenses that were paid to Blossom, since 2014.

Refer to Note 6. Investments for transactions with equity method investees of the Company.

**INNOVATE CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**

**(Unaudited)**

**17. Operating Segments and Related Information**

The Company currently has one primary reportable geographic segment - United States, and primarily all revenue is derived in the United States. The Company has three reportable operating segments, plus our Other segment, based on management's organization of the enterprise - Infrastructure, Life Sciences, Spectrum, and Other. The Company also has a Non-operating Non-Operating

Corporate segment. All inter-segment transactions are eliminated on consolidation. There are no inter-segment revenues.

The Company's revenue concentrations of 10% and greater were as follows:

	Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Customer A	Infrastructure	26.8%	25.2%	27.5%	24.2%
Customer B	Infrastructure	13.9%	*	12.9%	*
Customer C	Infrastructure	*	10.1%	*	*

	Segment	Three Months Ended March 31,	
		2024	2023
Customer A	Infrastructure	27.6%	28.1%

\*Less than 10% revenue concentration

Summarized financial information with respect to the Company's operating segments is as follows (in millions):

Revenue	Revenue	Three Months Ended September 30,				Three Months Ended March 31, 2024	2023		
		Nine Months Ended September 30,							
		2023	2022	2023	2022				
Revenue	Revenue								
Infrastructure	Infrastructure								
Infrastructure	Infrastructure	\$369.3	\$412.7	\$1,043.4	\$1,197.0				
Life Sciences	Life Sciences	0.6	1.2	1.8	3.0				
Spectrum	Spectrum	5.4	9.1	16.8	28.0				
Total revenue	Total revenue	\$375.3	\$423.0	\$1,062.0	\$1,228.0				
Total revenue	Total revenue								
Income (loss) from operations	Income (loss) from operations	Three Months Ended September 30,	Three Months Ended September 30,	Three Months Ended March 31, 2024	2023				
Income (loss) from operations	Income (loss) from operations	2023	2022	2023	2022				
Infrastructure	Infrastructure	\$20.9	\$18.5	\$41.9	\$42.2				
Infrastructure	Infrastructure								
Life Sciences	Life Sciences	(3.3)	(5.5)	(11.6)	(15.7)				
Spectrum	Spectrum	(2.1)	(0.6)	(3.2)	(4.1)				
Other	Other	—	(0.3)	(1.9)	(0.4)				
Non-operating Corporate	Non-operating Corporate	(4.8)	(5.5)	(12.7)	(15.1)				
Non-Operating Corporate	Non-Operating Corporate								
Total income from operations	Total income from operations	\$10.7	\$ 6.6	\$12.5	\$ 6.9				

Total income (loss) from operations
Total income (loss) from operations
Total income (loss) from operations

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	2023	2022

Reconciliation of the consolidated segment income from operations to consolidated loss from operations before income taxes:

Income from operations	\$ 10.7	\$ 6.6	\$ 12.5	\$ 6.9
<hr/>				

2024

Three Months Ended March 31,

2024

2023

Reconciliation of the consolidated segment income (loss) from operations to consolidated loss from operations before income taxes:

Income (loss) from operations

Income (loss) from operations

Income (loss) from operations

Interest expense	Interest expense	(17.1)	(13.3)	(49.0)	(38.4)
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Loss from equity investees	Loss from equity investees	(1.5)	(1.1)	(5.8)	(2.1)
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Other income (expense), net		0.4	(0.9)	17.2	0.5
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Loss from equity investees

Loss from equity investees

Other (expense) income, net

Other (expense) income, net

Other (expense) income, net

Loss from operations before income taxes	Loss from operations before income taxes	\$ (7.5)	\$ (8.7)	\$ (25.1)	\$ (33.1)
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	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	2023		2023	2022

Depreciation and Amortization							
Infrastructure	\$ 2.6	\$ 5.3	\$ 11.6	\$ 15.9			
Infrastructure recognized within cost of revenue	3.8	3.9	11.8	11.2			
Total Infrastructure	6.4	9.2	23.4	27.1			
Life Sciences	0.1	0.1	0.3	0.2			
Spectrum	1.3	1.4	3.9	4.4			
Non-operating Corporate	—	—	0.1	0.1			
Total depreciation and amortization	\$ 7.8	\$ 10.7	\$ 27.7	\$ 31.8			

INNOVATE CORP.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Depreciation and Amortization		
Infrastructure	\$ 3.0	\$ 4.9
Infrastructure recognized within cost of revenue	4.0	3.9
Total Infrastructure	7.0	8.8
Life Sciences	0.1	0.1
Spectrum	1.3	1.3
Total depreciation and amortization	\$ 8.4	\$ 10.2

		Three Months Ended September 30,		Nine Months Ended September 30,			
		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
		2023	2022	2023	2022	2024	2023
Capital Expenditures	Capital Expenditures						
(*)	(*)						
Infrastructure	Infrastructure						
Infrastructure	Infrastructure	\$ 5.5	\$ 6.9	\$ 12.5	\$ 13.5		
Life Sciences	Life Sciences	—	0.2	0.3	0.3		
Spectrum	Spectrum	0.2	0.4	0.8	2.5		
Non-operating Corporate	Corporate	—	—	0.3	—		
Non-Operating Corporate							
Non-Operating Corporate							
Non-Operating Corporate							
Total	Total	\$ 5.7	\$ 7.5	\$ 13.9	\$ 16.3		

(i) The above capital expenditures exclude assets acquired under finance lease and other financing obligations.

	March 31, 2024	March 31, 2024	December 31, 2023
	September 30, 2023	December 31, 2022	
Investments			
Investments			
Investments Investments			
Life Sciences	Life Sciences	\$ 7.0	\$ 7.6
Other	—	51.9	
Life Sciences			
Life Sciences			
Total	Total	<u>\$ 7.0</u>	<u>\$ 59.5</u>
Total			
Total			

	September 30, 2023	December 31, 2022
Equity Method Investments (included in Investments above)		
Life Sciences	\$ 2.4	\$ 3.0
Other	—	40.6
Total	\$ 2.4	\$ 43.6

The Company's equity method investments in the Life Sciences segment included in the table above totaled \$0.9 million as of both March 31, 2024 and December 31, 2023.

	March September 30, 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Total Assets	Total Assets	September 30, 2023	December 31, 2022	
Total Assets				
Total Assets				
Infrastructure				
Infrastructure				
Infrastructure	Infrastructure	\$ 893.2	\$ 879.3	
Life Sciences	Life Sciences	14.6	15.4	
Spectrum	Spectrum	177.8	188.2	
Other	—	1.2	53.6	
Non-operating Corporate	—	9.3	15.2	
Non-Operating Corporate				
Non-Operating Corporate				
Total	Total	<u>\$ 1,096.1</u>	<u>\$ 1,151.7</u>	
Total				
Total				

#### 18. Basic and Diluted Loss Per Common Share

Earnings (loss) per share ("EPS") is calculated using the two-class method, which allocates earnings among common stock and participating securities to calculate EPS when an entity's capital structure includes either two or more classes of common stock or common stock and participating securities. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities. As such, shares of any unvested restricted stock of the Company are considered participating securities; however, they do not participate in losses and, as such, are excluded from the computation of basic earnings (loss) per share during periods of net losses. The dilutive effect, if applicable, of stock options and their equivalents (including non-vested stock issued under stock-based compensation plans), is computed using the "if-converted method" if this measurement is determined to be more dilutive between the two available methods in a period.

The Company had no dilutive common stock equivalents during the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** due to the results from continuing operations being a loss, net of tax. For the three and nine months ended **September 30, 2023** **March 31, 2024**, **816,524** and **1,039,513**, **2023**, **702,988** and **1,145,796**, respectively, of common stock equivalents from unvested restricted stock were excluded from the weighted average number of shares used to calculate diluted loss per share as their inclusion would have been anti-dilutive. Other instruments that may, in the future, if the average market price of the Company's stock exceeds the conversion prices, have a dilutive effect on earnings per share, but were excluded from the computation of diluted net loss per share for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** are: preferred stock, convertible debt and stock options. The following table presents a reconciliation of net loss used in the basic and diluted EPS calculations (in millions, except per share amounts):

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
**(Unaudited)**

	Three Months Ended September 30,	Nine Months Ended September 30,		
	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	
	2023	2022	2023	2022
Net loss	Net loss	\$ (8.6)	\$ (6.7)	\$ (28.3) \$ (34.7)
Net loss attributable to non-controlling interest and redeemable non-controlling interest		1.6	1.3	2.4 4.5
Net loss (income) attributable to non-controlling interest and redeemable non-controlling interest				
Net loss attributable to INNOVATE Corp.	Net loss attributable to INNOVATE Corp.	(7.0)	(5.4)	(25.9) (30.2)
Less: Preferred dividends	Less: Preferred dividends	0.3	1.2	2.1 3.6
Net loss attributable to common stockholders	Net loss attributable to common stockholders	\$ (7.3)	\$ (6.6)	\$ (28.0) \$ (33.8)
Net loss attributable to common stockholders				

Net loss attributable to common stockholders	
Weighted average common shares outstanding - basic and diluted	
Weighted average common shares outstanding - basic and diluted	
Weighted average common shares outstanding - basic and diluted	
Denominator for basic and diluted loss per share:	
Weighted average common shares outstanding	78.4    77.6    78.0    77.5
Loss per share - basic and diluted	Loss per share - basic and diluted
	\$(0.09)    \$(0.09)    \$(0.36)    \$(0.44)
Loss per share - basic and diluted	
Loss per share - basic and diluted	

## 19. Fair Value of Financial Instruments

### Fair Value of Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis. The table excludes carrying amounts for cash and cash equivalents and restricted cash, accounts receivable and contract assets, accounts payable, contract liabilities and other current liabilities, and other assets and liabilities that approximate fair value due to relatively short periods to maturity (in millions):

September 30, 2023	Fair Value				Fair Value Measurement Using:	
	Measurement Using:					
	Carrying Value	Estimated Fair Value	Level 1	Level 2		
March 31, 2024						
<b>Assets</b>						
Measurement alternative investment <sup>(1)</sup>						
Measurement alternative investment <sup>(1)</sup>						
Measurement alternative investment <sup>(1)</sup>						
Total assets not accounted for at fair value						
<b>Liabilities</b>	<b>Liabilities</b>					
Debt obligations <sup>(1)</sup>	\$ 747.1	\$ 689.0	\$ —	\$ 689.0	\$ —	
Debt obligations <sup>(2)</sup>						
Debt obligations <sup>(2)</sup>						

<b>Debt obligations (2)</b>	
Total liabilities not accounted for at fair value	Total liabilities not accounted for at fair value \$ 747.1 \$ 689.0 \$ — \$ 689.0 \$ —

(1) Refer to Note 6, Investments for additional information.

(2) Excludes operating lease obligations accounted for under ASC 842, Leases.

<u>December 31, 2022</u>		Fair Value				<u>December 31, 2023</u>			Fair Value Measurement Using:			
		Measurement Using:										
		Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3						
<u>December 31, 2023</u>							Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3	
<u>Assets</u>	<u>Assets</u>											
Other invested assets (1)	\$ 11.3	\$ 11.3	\$ —	\$ —	\$ 11.3							
Measurement alternative investment (1)												
Measurement alternative investment (1)												
Measurement alternative investment (1)												
Total assets not accounted for at fair value	Total assets not accounted for at fair value \$ 11.3	\$ 11.3	\$ 11.3	\$ —	\$ —	\$ 11.3						
<u>Liabilities</u>	<u>Liabilities</u>											
Debt obligations	Debt obligations											
(2)	(2)	\$ 712.3	\$ 643.0	\$ —	\$ 643.0	\$ —						
Debt obligations (2)												
Debt obligations (2)												
Total liabilities not accounted for at fair value	Total liabilities not accounted for at fair value \$ 712.3	\$ 712.3	\$ 643.0	\$ —	\$ 643.0	\$ —						

(1) Other invested assets was comprised of a put option that related to the Company's 19% investment in HMN, which was sold March 6, 2023. Refer to Note 6, Investments for additional information.

(2) Excludes operating lease obligations accounted for under ASC 842, Leases.

**Debt Obligations.** The fair value of the Company's long-term obligations was determined using reporting from Citadel Securities. The externally quoted market prices for INNOVATE's 8.50% 2026 Senior Secured Notes and for INNOVATE's 7.50% Convertible Senior Notes due 2026, which are reflected as Level 1 fair value measurements. All other long-term obligations of the Company are reflected as Level 2 fair value measurements, as this methodology combines direct recent transaction activity or, if available, market observations from contributed sources with quantitative pricing models or fair value reports from valuation providers to generate evaluated prices and are classified as Level 2, fair value measurements. Certain long-term obligations have a fair value estimate equal to their carrying value due to recent transaction activity. The fair value of the debt instruments is disclosed for informational purposes and does not necessarily represent the amount that would be realized upon settlement or transfer.

**INNOVATE CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED**  
(Unaudited)

**20. Supplementary Financial Information**

**Other (expense) income, (expense), net**

The following table provides information relating to Other (expense) income, (expense), net for the periods indicated (in millions):

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,		
	Three Months Ended September 30,	Nine Months Ended September 30,		2024	2023
	2023	2022	2023	2022	
Gain on sale of equity method investment	\$ —	\$ —	\$12.2	\$ —	
Gain on sale of investment					
Gain on step-up of equity method investment	Gain on step-up of equity method investment				
Other income (expense), net	0.4	(0.9)	1.2	0.5	
Loss on debt extinguishment					
Other					
<b>Total</b>	<b>Total</b>	<b>\$0.4</b>	<b>\$(0.9)</b>	<b>\$17.2</b>	<b>\$0.5</b>

#### ***Supplemental Cash Flow Information***

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows (in millions):

	Nine Months Ended September 30,	
	2023	2022
Cash and cash equivalents, beginning of period	\$ 80.4	\$ 45.5
Restricted cash	0.3	2.0
Restricted cash included in other assets (non-current)	1.5	—
<b>Total cash, cash equivalents and restricted cash, beginning of period</b>	<b>\$ 82.2</b>	<b>\$ 47.5</b>
Cash and cash equivalents, end of period	\$ 55.7	\$ 25.8
Restricted cash	—	0.4
Restricted cash included in other assets (non-current)	1.4	1.5
<b>Total cash and cash equivalents and restricted cash, end of period</b>	<b>\$ 57.1</b>	<b>\$ 27.7</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 43.6	\$ 38.9
Cash paid for taxes, net of refunds	\$ 7.4	\$ 3.8
<b>Non-cash investing and financing activities:</b>		
Unsecured note issued in connection with purchase of preferred stock and payment of dividends	\$ 35.1	\$ —

Exit fees and interest capitalized into principal debt	\$ 2.4	\$ —	—
Property, plant and equipment included in accounts payable or accrued expenses	\$ 1.1	\$ 0.9	0.9
Issuance of preferred stock	\$ —	\$ 0.9	0.9

	Three months ended March 31,	
	2024	2023
Cash and cash equivalents, beginning of the period	\$ 80.8	\$ 80.4
Restricted cash included in other current assets	0.9	0.3
Restricted cash included in other assets (non-current)	0.6	1.5
Total cash, cash equivalents and restricted cash, beginning of the period	\$ 82.3	\$ 82.2
Cash and cash equivalents, end of the period	\$ 38.4	\$ 16.6
Restricted cash included in other current assets	0.9	—
Restricted cash included in other assets (non-current)	0.6	1.4
Total cash and cash equivalents and restricted cash, end of the period	\$ 39.9	\$ 18.0
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 19.6	\$ 19.5
(Proceeds from tax refunds) cash paid for income taxes, net	\$ (0.8)	\$ 5.0
<b>Non-cash investing and financing activities:</b>		
Accrued interest, exit fees and other fees capitalized into principal debt	\$ 3.3	\$ —
Property, plant and equipment included in accounts payable or accrued expenses	0.9	1.4

## 21. Subsequent Events

Refer to Note 2. **Summary of Significant Accounting Policies** 15. **Temporary Equity and Equity** for additional detail information on the Lancer Capital letter closing of support the Rights Offering on April 24, 2024, and the termination of the Tax Benefits Preservation plan on May 6, 2024. Refer to Note 11. Debt Obligations for information on the extension of the maturity date maturities of Spectrum debt certain debt instruments.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the consolidated annual audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC on March 14, 2023 March 6, 2024 (the "2022" 2023 Annual Report") and the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section in our 2022 2023 Annual Report as well as the section below entitled "Special Note Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, "INNOVATE" means INNOVATE Corp. and the "Company," "we" and "our" mean INNOVATE together with its consolidated subsidiaries. "U.S. GAAP" means accounting principles accepted in the United States of America.

### Our Business and Our Operations

We are a diversified holding company with principal operations conducted through three operating platforms or reportable segments: Infrastructure ("DBMG"), Life Sciences ("Pansend"), and Spectrum, plus our Other segment, which includes businesses that do not meet the separately reportable segment thresholds.

For additional information on our business, refer to Note 1. Organization and Business to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Cyclical Patterns

Our segments' operations can be highly cyclical. Our volume of business in our Infrastructure segment may be adversely affected by declines or delays in projects, which may vary by geographic region. Project schedules, particularly in connection with large, complex, and longer-term projects can also create fluctuations in the services provided, which may adversely affect us in any given period.

For example, in connection with larger, more complicated projects, the timing of obtaining permits and other approvals may be delayed, and we may need to maintain a portion of our workforce and equipment in an underutilized capacity to ensure we are strategically positioned to deliver on such projects when they move forward.

Examples of other items that may cause our results or demand for our services to fluctuate materially from quarter to quarter include: weather or project site conditions; financial condition of our customers and their access to capital; margins of projects performed during any particular period; rising interest rates and inflation; and economic, political and market conditions on a regional, national

or global scale.

Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

#### Recent Developments

On July 23, 2023, we announced the unexpected passing of Wayne Barr, our President, Chief Executive Officer and Director. Mr. Barr had served as a director of INNOVATE since January 2014 and as CEO since November 2020. He previously served as Lead Director during March 2020 and as Interim CEO from June 2020 until November 2020 when he was appointed as the Company's permanent President and CEO. During his tenure as a director of INNOVATE, he has also served as Chair and/or as a member of several of the Board committees and as a director and/or officer of certain INNOVATE subsidiaries. Following Mr. Barr's death, on July 25, 2023, Paul K. Voigt was named Interim Chief Executive Officer of the Company. Mr. Voigt has served as Senior Managing Director of Investments at Lancer Capital since 2019. From 2014 to 2018, Mr. Voigt served as Senior Managing Director of Investments of the Company and was involved with sourcing deals and capital raising for the Company.

On September 21, 2023, INNOVATE entered into a separation and release agreement with Suzi Herbst, our Chief Operating Officer. Pursuant to the agreement, Ms. Herbst's employment with the Company ceased on October 20, 2023 and the Company will pay Ms. Herbst severance payments and benefits.

We continually evaluate strategic and business alternatives within our operating segments, which may include the following: operating, growing or acquiring additional assets or businesses related to current or historical operations; or winding down or selling our existing operations. In the longer-term, we may evaluate opportunities to acquire assets or businesses unrelated to our current or historical operations. In the event we were to enter into a strategic transaction to sell any of our existing operations, our intention is to use the available proceeds from such transaction to pay down Broadcasting's Secured Notes; address our capital structure at our Non-Operating Corporate and Spectrum segments.

Thus far in 2023, In 2024, including subsequent to the first quarter end, as part of our strategic process, we engaged in several transactions that had or will have an effect on the results of operations and financial condition of our business and individual segments.

#### Dispositions

##### Other

###### Sale of Remaining 19% Interest in HMN Rights Offering and Private Placement

On March 6, 2023 March 8, 2024, the Company through commenced a \$19.0 million rights offering ("Rights Offering") for its common stock. Pursuant to the Rights Offering, the Company distributed to each holder of the Company's common stock, Series A-3 Convertible Participating Preferred Stock, Series A-4 Convertible Participating Preferred Stock and the 2026 Convertible Notes as of March 6, 2024 (the "rights offering record date"), transferable subscription rights to purchase 0.2858 shares of the Company's common stock at a price of \$0.70 per whole share.

Per the concurrent investment agreement entered into with Lancer Capital (the "Investment Agreement"), the Rights Offering was backstopped by Lancer Capital, an investment fund led by Avram A. Glazer, the Chairman of the Board and the Company's largest stockholder. Due to limitations on the common stock that can be issued to Lancer Capital under the rules of the New Saxon 2019 Limited ("New Saxon" New York Stock Exchange ("NYSE"), in lieu of exercising its subscription rights, pursuant to the Investment Agreement, Lancer Capital would purchase up to \$19.0 million of the Company's newly issued Series C Non-Voting Participating Convertible Preferred Stock (the "Series C Preferred Stock"), for an indirect subsidiary issue price of GMH \$1,000 per share. In connection with the backstop commitment, and as a result of limitations in the amount common equity that can be raised under the Company's effective shelf registration statement on Form S-3, Lancer Capital also agreed to purchase an additional \$16.0 million of Series C Preferred Stock in a private placement transaction ("Concurrent Private Placement") to close concurrently with the settlement of the Rights Offering. Lancer Capital did not receive any compensation or other consideration for entering into or consummating the Investment Agreement.

As the Rights Offering had not yet settled by March 28, 2024, in accordance with the Investment Agreement, Lancer Capital purchased \$25.0 million of Series C Preferred Stock, referred to as the "equity advance." Subsequent to quarter end, on April 24, 2024, the Company completed and closed on the sale Rights Offering and issued a total of its remaining 19% interest 5,306,105 shares of common stock for approximately \$3.7 million. Based on the number of shares of common stock actually sold upon exercise of the rights to third party investors, there were no excess shares of Series C Preferred Stock purchased by Lancer Capital under the equity advance that the Company was required to redeem, and Lancer Capital purchased an additional approximately 6,286 Series C Preferred Stock for \$6.3 million under the backstop commitment. The total gross proceeds received subsequent to quarter end were \$10.0 million.

The Company received \$35.0 million in HMN to subsidiaries and an affiliate of Hengtong Optic-Electric Co Ltd. The sale was consummated pursuant aggregate gross proceeds related to the Rights Offering and Concurrent Private Placement. As of March 31, 2024, the Company had incurred \$1.8 million in dealer manager fees and other costs related to the Rights Offering and Concurrent Private Placement, of which \$1.3 million was allocated to the Series C Preferred Stock and \$0.5 million was capitalized as Additional paid in capital. An additional \$0.3 million in costs were incurred subsequent to quarter end. INNOVATE expects to use the net proceeds from the Rights Offering for general corporate purposes, including debt service and for working capital. As a supplemental agreement result of the closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the amount of the greater of \$3.0 million or 12.5% of the net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the CGIC Unsecured Note.

Under the rules of the NYSE, because the shares purchased by Lancer Capital are greater than 20% of the Company's common stock outstanding before the issuance of the Series C Preferred Stock, those shares of Series C Preferred Stock may not be converted unless stockholder approval of such issuance is obtained. The Series C Preferred Stock are convertible into common stock at the price equivalent to the subscription price under the Rights Offering contingent on shareholder approval, which will be voted on at the next annual meeting. If the Series C Preferred Stock is not converted to common stock, it may be redeemed at the Company's option or on the sixth anniversary of issuance plus accrued interest of 8% which is only due upon redemption and not conversion. See Note 15. Temporary Equity and Equity for additional information on the terms.

The Company waived its Tax Benefits Preservation Plan to permit persons exercising rights to acquire 4.9% or more of the outstanding common stock upon the exercise thereof without becoming an Acquiring Person (as defined in the Tax Benefits Preservation Plan).

INNOVATE expects to use the net proceeds from the Rights Offering for general corporate purposes, including debt service and for working capital. As a result of the closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the amount of the greater of \$3.0 million or 12.5% of the net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the CGIC Unsecured Note.

#### Stockholders' Rights Agreement - Tax Benefits Preservation Plan

Subsequent to quarter end, on May 6, 2024, the Company terminated its Tax Benefits Preservation Plan entered into by on April 1, 2023 (the "2023 Preservation Plan") because the parties in June 2022. New Saxon received gross proceeds Company's Board of \$54.2 million, and interest income of \$0.5 million, of which \$4.4 million Directors determined that the 2023 Preservation Plan was

withheld for a foreign tax payment. As of September 30, 2023, \$15.9 million has been paid to GMH's non-controlling interest holders and redeemable non-controlling interest holders pursuant to the partnership agreement. New Saxon recognized a gain on sale of \$12.2 million, which is reflected in Other income (expense), net in the Condensed Consolidated Statements of Operations no longer necessary or desirable for the nine months ended September 30, 2023, preservation of the Company's ability to use its tax net operating losses and other certain tax assets.

In connection with the termination of the 2023 Preservation Plan, the Company will be taking routine actions to deregister the related preferred stock purchase rights under the Securities Exchange Act of 1934, and to delist the preferred stock purchase rights from the NYSE. These actions are administrative in nature and will have no effect on the Company's common stock, which will continue to be listed on the NYSE.

#### **Debt Obligations and Financing**

In 2023 addition to the Rights Offering and Concurrent Private Placement at the Non-Operating Corporate segment discussed above, during 2024 thus far, we have refinanced some of our loans debt and obtained new capital financing, financing at the subsidiary level. This financing helped us provide needed capital for our operations and the operations of our subsidiaries.

#### Infrastructure

Subsequent DBMG and Banker Steel, jointly and severally, have a subordinated 4.0% note payable to quarter end, on November 2, 2023 Banker Steel's former owner, in which Donald Banker's family trust has a 25% interest, and jointly and severally also had a subordinated 8.0% note payable to Donald Banker's family trust, the latter of which was fully paid off in December 2023. During the three months ended March 31, 2024, UMB indicated its intent to extend the maturity date of the Revolving Line from May 31, 2024 to September 30, 2025. As part of the modification, the interest rate spread for the Revolving Line will be increased by 0.35% across all tiers, and the interest rate floor will be increased from 3.0% to 4.25%. No definitive agreements have been signed as of the filing date of this Form 10-Q Quarterly Report. There can be no assurances that the final signed agreements with UMB will close DBMG made \$2.5 million in scheduled payments on the aforementioned terms or if at all. 4.0% note. The 4.0% note matured on March 31, 2024 and was fully redeemed on April 2, 2024.

#### Life Sciences

During the second and third quarters of 2023, On January 31, 2024, R2 Technologies closed on and Lancer Capital issued a new 20% note with an additional \$2.7 million and \$1.7 million, respectively, in 20% notes with Lancer. As of September 30, 2023, the total outstanding aggregate original principal amount of 20% notes \$20.0 million, which is comprised of the prior outstanding principal amounts and unpaid accrued interest of \$2.6 million, which was capitalized into the new principal balance, with future interest payable to Lancer was \$17.4 million. In addition, during monthly in arrears, in cash or, if not paid in cash, accrued and unpaid interest will be capitalized monthly into the third quarter principal balance. The new note also includes an exit fee payable upon the earliest of 2023, R2 entered into an amendment with Lancer to extend the maturity date, the acceleration date of all outstanding 20% notes the principal amount of the note, for any reason as defined in the agreement, or the date upon which any prepayment is made. The exit fee shall be equal to 10.5% of the principal if payment is made anytime from April 1, 2024 through April 30, 2024. As a result of the addition of the exit fee, the modification was determined to be an extinguishment under ASC 470-50 and the new exit fee payable to Lancer to the earlier existing lender is included in Other (expense) income, net on the Condensed Consolidated Statement of November 15, 2023 Operations. The maturity date of the new note is April 30, 2024 or within 5 business days of the date on which R2 Technologies receives an aggregate \$20.0 million from the consummation of a debt or equity financing.

#### Spectrum

On August 8, 2023, Broadcasting entered into financing or has a change in control, as defined in the agreement, with an Eighth Amendment optional prepayment of the entire then-outstanding and unpaid principal and accrued interest upon five-days written notice to Secured Notes with its lenders which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from May 31, 2024 to August 15, 2024.

Lancer Capital. Subsequent to quarter end, on November 9, 2023 effective April 30, 2024, Broadcasting entered into a Ninth Amendment the note was extended to its Secured Notes with its lenders which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from August 15, 2024 to August 15, 2025. In exchange, INNOVATE has agreed to utilize proceeds from the sale of any of its existing operations, as allowable under the Company's current agreements and after all other required payments, for repayment of a portion of Broadcasting's Senior Secured Notes, plus an additional exit fee upon such a repayment of \$1.0 million if repayment occurs by November 9, 2024 May 17, 2024, and \$2.0 million if repayment occurs after that date. Upon payment of the exit fee payable was updated to 10.71% of the lenders also agree to return their equity interests in HC2 Broadcasting Holdings, Inc. and its subsidiary equity interests. principal amount for repayments made after May 1, 2024.

#### Corporate

On April 25, 2023 As of March 31, 2024, INNOVATE extended the maturity date per annum interest rate on the outstanding principal balance is 20%. For the three months ended March 31, 2024 and 2023, R2 Technologies recognized interest expense of its Revolving Credit Agreement \$0.9 million and \$0.5 million, respectively, related to the contractual interest coupon on the notes with MSD PCOF Partners IX, LLC (the "Revolving Line Lancer Capital. As part of Credit") from February 23, 2024 to March 16, 2025, changed the agreement, all unpaid accrued interest benchmark rates from LIBOR-based to SOFR-based rates, and lowered on the amount of net cash proceeds from certain asset sales in excess of which new note is capitalized into the principal balance on a prepayment is required from \$50.0 million to \$10.0 million. In March 2023, the Company paid down \$15.0 million outstanding under the Revolving Line of Credit. On May 8, 2023, INNOVATE drew monthly basis. As a result, an additional \$8.0 \$0.7 million under of unpaid accrued interest incurred subsequent to January 31, 2024, was capitalized into the Revolving Line principal balance during the three months ended March 31, 2024. As of Credit, March 31, 2024, all unpaid accrued interest on the new note had been capitalized into the principal balance, and there was no accrued interest payable. The accrued exit fee was \$2.2 million as of March 31, 2024, which is included in Accrued liabilities on July 31, 2023, INNOVATE drew an additional \$7.0 million under the Revolving Line of Credit, bringing the total outstanding balance to \$20.0 million. Condensed Consolidated Balance Sheet. Refer to Note 11. Debt Obligations in the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information, information on R2 Technologies' debt obligations.

On May 9, 2023, INNOVATE issued a subordinated unsecured promissory note to CGIC in the principal amount of \$35.1 million, in connection with the DBMG Preferred Stock repurchase from CGIC. Refer to Footnote 15. Temporary Equity and Equity of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for additional information. The CGIC Unsecured Note is due February 28, 2026, and bears interest at 9% per annum through May 8, 2024, 16% per annum from May 9, 2024 to May 8, 2025, and 32% per annum thereafter. The CGIC Unsecured Note also requires a mandatory prepayment from the proceeds from certain asset sales and the greater of \$3 million or 12.5% of the proceeds from certain equity sales. Refer to 11. Debt Non-Operating Corporate

Obligations Subsequent to quarter end, on May 6, 2024, the Company and MSD extended the maturity date of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for additional information. its Revolving Line of Credit from March 16, 2025 to May 16, 2025.

#### **Equity Method Investments**

In November 2022, MediBeacon amended its existing agreements with Huadong Medicine Co. Ltd ("Huadong"), to provide approximately \$10 million in During the first half quarter of 2023, including \$7.5 million or 50% of the remaining \$15 million milestone investment due upon FDA approval of MediBeacon's TGFR at a pre-money valuation of approximately \$400 million. On February 23, 2023, pursuant to its amended commercial partnership with Huadong, a publicly traded company on the Shenzhen Stock Exchange, 2024, MediBeacon issued \$7.5 to Pansend an aggregate \$1.2 million of its preferred stock 12% convertible notes payable, increasing Pansend's total outstanding principal receivable to Huadong in exchange for additional shares of preferred stock. \$10.9 million.

As a result of this equity transaction, these note issuances by MediBeacon during the three months ended March 31, 2024, Pansend recognized a gain of \$3.8 million in Other income (expense), net in the Condensed Consolidated Statements of Operations, which increased Pansend's basis in MediBeacon. Concurrently, Pansend recognized additional equity method losses of \$3.8 million which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero.

On August 31, 2023 and September 13, 2023, Pansend issued \$0.5 million and \$0.5 million 12% convertible notes due September 2026 to MediBeacon, increasing the total outstanding principal amounts owed by MediBeacon to Pansend to \$6.0 million. As a result of the additional \$1.0 million 12% convertible notes issuances, Pansend recognized an additional \$1.0 \$1.2 million of equity method losses which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero.

As of March 31, 2024, Pansend's carrying amount of its investment in MediBeacon remains at zero, inclusive of the \$10.9 million in convertible notes which have been offset against recognized losses, and has cumulative unrecognized equity method losses relating to MediBeacon of \$8.7 million.

Subsequent to quarter end, on October 25, 2023, Pansend, in April 2024, MediBeacon issued an additional \$0.8 aggregate \$1.1 million 12% of 12.0% convertible note notes to MediBeacon which is Pansend, with each due October 24, 2026.

#### **Other**

On December 30, 2022, the Company entered into a letter agreement with CGIC pursuant to which CGIC and its affiliates agreed to vote certain shares Pansend in three years from date of the Company's Series A-3 Convertible Participating Preferred Stock, par value \$0.001 per share, and the Company's Series A-4 Convertible Participating Preferred Stock, par value \$0.001 per share, to the extent such shares result in CGIC beneficially owning more than 9.9% of the aggregate voting power of the Company, in the same manner as the majority of the holders holding less than 10% of the Company's common stock, par value \$0.001 per share, vote their shares with respect to any matter pursuant to which such shares are entitled to vote.

#### **Stockholders' Rights Agreement**

On April 1, 2023, the Company entered into a Tax Benefits Preservation Plan (the "Plan") with ComputerShare Trust Company, N.A., as rights agent (the "Rights Agent"). The Plan is intended to help protect the Company's ability to use its tax net operating losses and other certain tax assets ("Tax Benefits") by deterring an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (the "Code"), by a person or group of affiliated or associated persons from acquiring beneficial ownership of 4.9% or more of the outstanding common shares.

In connection with entering into the Plan, on April 1, 2023 the Board of Directors of the Company declared a dividend distribution of one right (a "Right") for each outstanding share of common stock, par value \$0.001 per share, of the Company (the "Common Stock") to stockholders of record at the close of business on April 10, 2023 (the "Record Date"). Each Right is governed by the terms of the Plan and entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share (a "Unit") of Series B Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock"), at a purchase price of \$15.00 per Unit, subject to adjustment (the "Purchase Price"). The Company had entered into a previous Tax Benefits Preservation Plan on August 30, 2021 (the "Prior Plan"), in order to help protect the Company's ability to use its Tax Benefits by deterring an ownership change. The Prior Plan expired on March 31, 2023.

On June 15, 2023, holders of the Company's Common Stock and Preferred Stock, voting as a single class and with the Preferred Stock voting on an as-converted basis, voted to ratify the amendment of the Tax Benefit Preservation Plan adopted by the Board of Directors on April 1, 2023, to extend the Final Expiration Date from October 1, 2023 to June 30, 2024, or such later date and time as may be subsequently approved.

Refer to Note 15. Temporary Equity and Equity of the Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information.

#### **Financial Presentation Background**

In the below section within this Management's Discussion and Analysis of Financial Condition and Results of Operations, we compare, pursuant to U.S. GAAP and SEC disclosure rules, the Company's results of operations for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the three and nine months ended September 30, 2022 March 31, 2023.

#### **Results of Operations**

The following table summarizes our results of operations and a comparison of the change between the periods as indicated (in millions):

Revenue	Revenue	Three Months Ended September 30,			Nine Months Ended September 30,			Three Months Ended March 31,	2024	2023	Increase / (Decrease)				
		Increase / (Decrease)		Increase / (Decrease)											
		2023	2022	2023	2022										
Revenue	Revenue														
Infrastructure	Infrastructure														
Infrastructure	Infrastructure	\$ 369.3	\$ 412.7	\$ (43.4)	\$ 1,043.4	\$ 1,197.0	\$ (153.6)								
Life Sciences	Life Sciences	0.6	1.2	(0.6)	1.8	3.0	(1.2)								
Spectrum	Spectrum	5.4	9.1	(3.7)	16.8	28.0	(11.2)								

Total revenue	Total revenue	\$ 375.3	\$ 423.0	\$ (47.7)	\$ 1,062.0	\$ 1,228.0	\$ (166.0)
Total revenue							
Total revenue							
Income (loss) from operations							
Infrastructure	Infrastructure	\$ 20.9	\$ 18.5	\$ 2.4	\$ 41.9	\$ 42.2	\$ (0.3)
Life Sciences	Life Sciences	(3.3)	(5.5)	2.2	(11.6)	(15.7)	4.1
Spectrum	Spectrum	(2.1)	(0.6)	(1.5)	(3.2)	(4.1)	0.9
Other	Other	—	(0.3)	0.3	(1.9)	(0.4)	(1.5)
Non-operating	Corporate	(4.8)	(5.5)	0.7	(12.7)	(15.1)	2.4
Non-Operating Corporate							
Total income from operations		\$ 10.7	\$ 6.6	\$ 4.1	\$ 12.5	\$ 6.9	\$ 5.6
Total income (loss) from operations							
Total income (loss) from operations							
Total income (loss) from operations							
Interest expense							
Interest expense							
Interest expense	Interest expense	(17.1)	(13.3)	(3.8)	(49.0)	(38.4)	(10.6)
Loss from equity investees	Loss from equity investees	(1.5)	(1.1)	(0.4)	(5.8)	(2.1)	(3.7)
Other income (expense), net		0.4	(0.9)	1.3	17.2	0.5	16.7
Loss from equity investees							
Loss from equity investees							
Other (expense) income, net							
Other (expense) income, net							
Other (expense) income, net							
Loss from operations before income taxes	Loss from operations before income taxes	\$ (7.5)	\$ (8.7)	\$ 1.2	\$ (25.1)	\$ (33.1)	\$ 8.0
Income tax (expense) benefit		(1.1)	2.0	(3.1)	(3.2)	(1.6)	(1.6)
Income tax expense							
Net loss	Net loss	\$ (8.6)	\$ (6.7)	\$ (1.9)	\$ (28.3)	\$ (34.7)	\$ 6.4
Net loss attributable to non-controlling interests and redeemable non-controlling interests		1.6	1.3	0.3	2.4	4.5	(2.1)
Net loss							
Net loss							

Net loss (income) attributable to non- controlling interests and redeemable non- controlling interests	Net loss attributable to INNOVATE Corp.	Net loss attributable to INNOVATE Corp.	\$ (7.0)	\$ (5.4)	\$ (1.6)	\$ (25.9)	\$ (30.2)	\$ 4.3
Less: Preferred dividends	Less: Preferred dividends		0.3	1.2	(0.9)	2.1	3.6	(1.5)
Net loss attributable to common stockholders	Net loss attributable to common stockholders		\$ (7.3)	\$ (6.6)	\$ (0.7)	\$ (28.0)	\$ (33.8)	\$ 5.8

Revenue: Revenue for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$47.7 million** **\$2.7 million** to **\$375.3 million** **\$315.2 million** from **\$423.0 million** **\$317.9 million** for the three months ended **September 30, 2022** **March 31, 2023**. The decrease was primarily driven by a decrease at our Infrastructure segment, and, to a lesser extent, which was partially offset by increases at our Spectrum segment and Life Sciences segments. The decrease at our Infrastructure segment was primarily driven by the timing and size of projects mostly from at DBMG's commercial structural steel fabrication and erection business as well as and Bunker Steel, which was partially offset by an increase at the industrial maintenance and repair business while revenues due to the timing and size of projects. The increase at our Spectrum segment decreased primarily as a result of the termination of Network and its associated Azteca content on December 31, 2022.

Revenue for the nine months ended September 30, 2023 decreased \$166.0 million to \$1,062.0 million from \$1,228.0 million for the nine months ended September 30, 2022. The decrease was primarily driven by network launches and expanded coverage with existing customers. The increase at our Infrastructure Life Sciences segment and, was attributable to a lesser extent, our Spectrum segment. DBMG's commercial structural steel fabrication and erection business encountered customer and general contractor driven delays, resulting R2 Technologies, primarily due to the launch of the Glacial Rx system in the timing second half of work performed by DBMG to be delayed 2023 and an increase in the current period and lower revenue at the industrial maintenance and repair business. Revenues at our Spectrum segment decreased primarily as a result of the termination of Network and its associated Azteca content on December 31, 2022.

#### Glacial Rx units sold.

Income (loss) from operations: Income (loss) from operations for the three months ended **September 30, 2023** **March 31, 2024**, increased **\$4.1 million** **\$6.8 million** to **\$10.7 million** income of **\$2.8 million** from **\$6.6 million** a loss of **\$4.0 million** for the three months ended **September 30, 2022** **March 31, 2023**. The increase was due to a decrease net increase in depreciation and amortization and gross profit of **\$5.0 million**, a decrease in selling, general and administrative expenses ("SG&A") of **\$2.2 million** and a decrease in depreciation and amortization of **\$1.9 million**, which was partially offset by an increase in other operating expense of **\$2.3 million**. The overall decrease increase in depreciation and amortization gross profit was primarily driven by Bunker Steel, as certain intangibles were fully amortized subsequent our Infrastructure segment due to the comparable period, timing of projects and, to a lesser extent, our Spectrum and Life Sciences segments. The overall decrease in SG&A was primarily driven by unrepeated transaction expenses related to the decreases sale of New Saxon's 19% investment in bonus expense, salaries HMN in the comparable period, a decrease in compensation-related expenses at R2 Technologies, and benefits, as well as research our Non-Operating Corporate and development costs our Spectrum segments, a decrease in marketing expenses and marketing other costs as a result of cost reduction initiatives at our Life Sciences segment, as well as decreases at Spectrum from the termination of Network in December 2022, which were partially offset by an accounts receivable write-off of \$2.2 million related to a customer bankruptcy and \$1.1 million in restructuring costs primarily related to a foreign office closure in the current period at our Infrastructure segment. The overall increase in other operating expenses was driven by our Spectrum segment as a result of a decrease in FCC reimbursements received and impairment charges recorded in the current period related to certain redundant equipment and associated capitalized costs.

Income from operations for the nine months ended September 30, 2023 increased \$5.6 million to \$12.5 million from \$6.9 million for the nine months ended September 30, 2022. The increase was due to decreases in depreciation and amortization, SG&A, and other operating expenses, which were partially offset by a net decrease in gross profit. The net decrease in depreciation and amortization was driven by Bunker Steel, as certain intangible assets were fully amortized subsequent to the comparable period, and certain capitalized internal-use software included in PP&E within DBMG's commercial structural steel fabrication and erection business became fully depreciated subsequent to the comparable period. The net decrease in SG&A was primarily driven by the termination of Network at our Spectrum segment, decreases in compensation-related expenses as well as research and development and marketing costs at our Life Sciences segment, R2 Technologies and decreases in SG&A consulting fees, disposition and acquisition expenses, and insurance expense at our Non-Operating Corporate segment, which was partially offset by an accounts receivable write-off of \$2.2 million related to a customer bankruptcy, \$2.1 million in restructuring costs primarily related to a foreign office closure in the current period, and increases increase in compensation-related expenses at our Infrastructure segment, as well as an increase in expenses at our Other segment as a result of the sale of New Saxon's 19% investment in HMN segment. The net overall decrease in other operating expenses was driven by our Spectrum segment which impaired the Network PLA intangible in the comparable period which was partially offset by impairment charges recorded in the current period related to certain redundant equipment depreciation and associated capitalized costs and a decrease in FCC reimbursements received. The decrease in gross profit amortization was primarily driven by our Spectrum segment's termination Infrastructure segment, as certain customer contract intangibles became fully amortized in the second quarter of Network, which 2023. The increase in income from operations was partially offset by an increase at Station group, which launched new markets and networks with its customers a loss on a disposal related to a plant closure in the current period, and was also partially offset by an increase in gross profit first quarter of 2024 at our Infrastructure segment driven by timing of higher margin projects, segment.

**Interest expense:** Interest expense for the three months ended **September 30, 2023** **March 31, 2024**, increased **\$3.8 million** **\$1.6 million** to **\$17.1 million** **\$17.2 million** from **\$13.3 million** **\$15.6 million** for the three months ended **September 30, 2022** **March 31, 2023**. The increase was primarily attributable to higher interest rates, increased amortization of debt issuance costs on the debt, and higher outstanding principal balances at all our Non-Operating Corporate and Life Sciences segments as a result of new debt issued subsequent to the comparable period.

**Interest expense for the nine months ended September 30, 2023 increased \$10.6 million** This was partially offset by our Infrastructure segment due to **\$49.0 million** from **\$38.4 million** for the nine months ended September 30, 2022. The increase was primarily attributable to higher interest rates, increased amortization of debt issuance costs on the debt, and higher a decrease in outstanding principal balances at all segments, as a result of new debt issued subsequent to the comparable period. balances.

**Loss from equity investees:** Loss from equity investees for the three months ended **September 30, 2023** increased **\$0.4 million** **March 31, 2024** decreased **\$2.8 million** to **\$1.5 million** **\$1.2 million** from **\$1.1 million** **\$4.0 million** for the three months ended **September 30, 2022** **March 31, 2023**. The increase decrease in loss was primarily driven by the sale of our investment due to a reduction in HMN on March 6, 2023, which had income losses from MediBeacon, primarily due to an unrepeated equity transaction with Huadong in the prior comparable period, as well as higher which resulted in a \$3.8 million increase in Pansend's basis in MediBeacon and a corresponding \$3.8 million of additional equity method losses recorded from our investment in Triple Ring. This was partially offset by lower equity method losses from our investment in MediBeacon, that were previously unrecognized, whereas, during the first quarter 2024, as a result of suspended additional convertible note investments in MediBeacon by Pansend, Pansend's basis in MediBeacon increased by \$1.2 million and Pansend recognized \$1.2 million of equity method losses due which were previously unrecognized. As of both March 31, 2024 and 2023, Pansend's net carrying amount of its investment in MediBeacon was zero and Pansend had unrecognized losses from this investment. Additionally contributing to the investment's carrying amount being reduced to zero.

**Loss from decrease in equity investees for the nine months ended September 30, 2023 increased \$3.7 million to \$5.8 million from \$2.1 million for the nine months ended September 30, 2022.** The increase in loss was primarily driven by our previous investment in HMN, which was sold on March 6, 2023, and had losses for the approximately two months of ownership in the current period, compared to net income for the nine months in the comparable period, as well as higher equity method losses in the current period from our investment in Triple Ring as a result of an unrepeated gain on debt extinguishment recognized by Triple Ring in the comparable period. This was partially offset by lower equity method losses from our investment in MediBeacon, as a result of suspended losses due to the investment's carrying amount being reduced to zero.

**Other income (expense), net:** Other income (expense), net for the three months ended September 30, 2023 increased **\$1.3 million** to income of **\$0.4 million** from other expense of **\$0.9 million** for the three months ended September 30, 2022. Other income, net for the three months ended September 30, 2023 primarily consisted of foreign currency translation gains from our Infrastructure segment.

Other income, net for the nine months ended September 30, 2023 increased **\$16.7 million** to **\$17.2 million** from **\$0.5 million** for the nine months ended September 30, 2022. Other income, net for the nine months ended September 30, 2023 primarily consisted of a gain on the sale of our equity investment in HMN of **\$12.2 million** and a **\$3.8 million** step-up gain from the increase in Pansend's basis as a result of MediBeacon issuing **\$7.5 million** of its preferred stock to Huadong. Refer to Note 6. Investments of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q which is incorporated herein by reference for additional information. Additionally contributing to information on our equity investments.

**Other (expense) income, net:** Other (expense) income, net for the **nine three** months ended **September 30, 2023** **is March 31, 2024** decreased **\$17.7 million** to an expense **\$1.2 million** from income of **\$16.5 million** for the three months ended **March 31, 2023**. The decrease was primarily driven by the unrepeated gain on the sale of the equity investment in HMN of **\$12.3 million** in the comparable period, an unrepeated **\$3.8 million** step-up gain from the increase in Pansend's basis as a result of MediBeacon issuing **\$7.5 million** of its preferred stock to Huadong in the comparable period and a **\$2.2 million** loss on debt extinguishment at R2 Technologies in the current period. The decrease in other income was partially offset by an increase in foreign currency translation gains from at our Infrastructure segment and interest income earned on certain investments and receivables, segment.

**Income tax (expense) benefit expense:** Income tax expense for the three months ended **September 30, 2023** **March 31, 2024** increased **\$3.1 million** **\$2.4 million** to **\$1.1 million** **\$3.3 million** from a **\$2.0 million** benefit **\$0.9 million** for the three months ended September 30, 2022. Income tax expense for the nine months ended September 30, 2023 increased **\$1.6 million** to **\$3.2 million** from **\$1.6 million** for the nine months ended September 30, 2022 **March 31, 2023**. The increase was primarily driven by the net tax savings of **\$2.9 million** from the CGIC consolidation on the 2021 tax return, which resulted in a partial release of the valuation in the comparable period. The income tax expense recorded for the three of INNOVATE Corp's U.S. consolidated group as a result of utilizing its remaining unlimited NOLs in 2024 and **nine months ended September 30, 2023** primarily relates due to the tax expense as calculated under ASC 740 for taxpaying entities. Tax Cut and Jobs Act's 80 percent limitation on net operating losses incurred after 2018. Additionally, the tax benefits associated with losses generated by the INNOVATE Corp. U.S. consolidated income tax return and certain other businesses have been reduced by a full valuation allowance as we do not believe it is more-likely-than not that the losses will be utilized prior to expiration. The annual effective tax rate calculated for the three months ended March 31, 2023 interim tax provision includes included an unrepeated a **\$1.1 million** net tax benefit, consisting of a current tax expense of **\$4.4 million** related to a foreign tax payment and a deferred tax benefit of **\$5.5 million** related to the reversal of the deferred tax liability associated with the **\$11.3 million** put option, agreement, both of which were related to the sale of New Saxon's 19% investment in HMN on March 6, 2023.

The Organization for Economic Cooperation and Development ("OECD") has announced an Inclusive Framework on Base Erosion and Profit Shifting including a Pillar Two Model to provide for a 15% global minimum tax on the earnings of multinational corporations with consolidated revenue over €750 million. Many jurisdictions have enacted Pillar Two legislation that will start to become effective in 2024. The OECD, and its member countries, continue to release new guidance and legislation on Pillar Two. Based on current enacted laws, Pillar Two is not expected to materially impact our effective tax rate or cash flows in the next year. We will continue to evaluate the impact on our financial position as new legislation or guidance is introduced which could change our current assessment.

#### Segment Results of Operations

In the Company's Condensed Consolidated Financial Statements, other operating (income) loss includes: (i) (gain) loss on sale or disposal of assets; (ii) lease termination costs; (iii) asset impairment expense; (iv) accretion of asset retirement obligations; and (v) FCC reimbursements. Each table summarizes the results of operations of our operating segments and compares the amount of the change between the periods presented (in millions).

#### Infrastructure Segment

Three Months Ended		Nine Months Ended September	
September 30,		30,	
		Increase /	Increase /
2023	2022	(Decrease)	(Decrease)

		Three months ended March 31,			Three months ended March 31,			Three months ended March 31,			
		2024			2024			2023			Increase / (Decrease)
Revenue	Revenue	\$ 369.3	\$ 412.7	\$ (43.4)	\$ 1,043.4	\$ 1,197.0	\$ (153.6)				
Cost of revenue	Cost of revenue	313.1	358.7	(45.6)	896.8	1,052.4	(155.6)				
Selling, general and administrative	Selling, general and administrative	32.9	30.2	2.7	93.3	87.1	6.2				
Depreciation and amortization	Depreciation and amortization	2.6	5.3	(2.7)	11.6	15.9	(4.3)				
Other operating loss (income)	Other operating loss (income)	(0.2)	—	(0.2)	(0.2)	(0.6)	0.4				
Income from operations	Income from operations	\$ 20.9	\$ 18.5	\$ 2.4	\$ 41.9	\$ 42.2	\$ (0.3)				

**Revenue:** Revenue for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$43.4 million** **\$3.8 million** to **\$369.3 million** **\$307.9 million** from **\$412.7 million** **\$311.7 million** for the three months ended **September 30, 2022** **March 31, 2023**. The decrease was primarily driven by the timing and size of projects at DBMG's commercial structural steel fabrication and erection business and lower revenue at the industrial maintenance and repair business. This Bunker Steel, which was partially offset by an increase at Bunker Steel and the construction modeling and detailing business due to timing and size of projects.

**Cost of revenue:** Cost of revenue for the nine months ended **September 30, 2023** decreased **\$153.6 million** to **\$1,043.4 million** from **\$1,197.0 million** for the nine months ended **September 30, 2022**. The decrease was primarily driven by timing of projects at DBMG's commercial structural steel fabrication and erection business, which encountered customer and general contractor driven delays, resulting in the timing of work performed by DBMG to be delayed in the current period and lower revenue at the industrial maintenance and repair business. This was partially offset by Bunker Steel and the construction modeling and detailing business due to the timing and size of projects.

**Cost of revenue:** Cost of revenue for the three months ended **September 30, 2023** decreased **\$45.6 million** **\$7.8 million** to **\$313.1 million** **\$263.1 million** from **\$358.7 million** **\$270.9 million** for the three months ended **September 30, 2022** **March 31, 2023**. The decrease was primarily driven by the decrease in revenues from the timing and size of projects at DBMG's commercial structural steel fabrication and erection business and the industrial maintenance and repair business. This Bunker Steel, which was partially offset by an increase at Bunker Steel the industrial maintenance and the construction modeling and detailing repair business due to the increase in revenues from the timing and size of projects.

**Selling, general and administrative:** Selling, general and administrative expense for the three months ended **September 30, 2023** increased **\$2.7 million** to **\$32.9 million** from **\$30.2 million** for the three months ended **September 30, 2022**. The increase was primarily driven by an accounts receivable write-off of **\$2.2 million** related to a customer bankruptcy, and a foreign office closure in the current period, as well as an increase in salaries and benefit expenses, which was partially offset by a decrease in professional fees.

**Selling, general and administrative:** Selling, general and administrative expense for the nine months ended **September 30, 2023** increased **\$6.2 million** to **\$93.3 million** from **\$87.1 million** for the nine months ended **September 30, 2022**. The increase was primarily driven by an accounts receivable write-off of **\$2.2 million** related to a customer bankruptcy, and a foreign office closure in the current period, as well as increases in compensation-related expenses and restructuring costs, which were partially offset by a decrease in professional fees and travel and entertainment expenses.

**Depreciation and amortization:** Depreciation and amortization for the three months ended **September 30, 2023** decreased **\$2.7 million** to **\$2.6 million** from **\$5.3 million** for the three months ended **September 30, 2022**. The decrease was primarily driven by Bunker Steel, as certain customer relationships and contracts intangibles were fully amortized subsequent to the comparable period.

**Depreciation and amortization:** Depreciation and amortization for the nine months ended **September 30, 2023** decreased **\$4.3 million** to **\$11.6 million** from **\$15.9 million** for the nine months ended **September 30, 2022**. The decrease was primarily driven by Bunker Steel, as certain customer relationships and contracts intangibles were fully amortized subsequent to the comparable period. Additionally, certain capitalized internal-use software included in PP&E within DBMG's commercial structural steel fabrication and erection business became fully depreciated subsequent to the comparable period.

**Other operating loss (income):** Other operating income for the nine months ended **September 30, 2023** decreased **\$0.4 million** to **0.2 million** from **\$0.6 million** for the nine months ended **September 30, 2022**. The decrease in income was primarily driven by gain on an unrepeatable asset sale in the comparable period.

**Life Sciences Segment**

	Three Months Ended September 30,			Nine Months Ended September 30,		
			Increase / (Decrease)			Increase / (Decrease)
	2023	2022		2023	2022	
Revenue	\$ 0.6	\$ 1.2	\$ (0.6)	\$ 1.8	\$ 3.0	\$ (1.2)
Cost of revenue	0.5	1.0	(0.5)	1.4	2.5	(1.1)
Selling, general and administrative	3.3	5.6	(2.3)	11.7	16.0	(4.3)
Depreciation and amortization	0.1	0.1	—	0.3	0.2	0.1
Loss from operations	\$ (3.3)	\$ (5.5)	\$ 2.2	\$ (11.6)	\$ (15.7)	\$ 4.1

**Revenue:** Revenue for the three months ended September 30, 2023 decreased \$0.6 million to \$0.6 million from \$1.2 million for the three months ended September 30, 2022. The decrease in revenue was attributable to R2, primarily as a result of fewer sales of units and consumables outside the U.S., which was partially offset by an increase in upfront unit sales in the US.

Revenue for the nine months ended September 30, 2023 decreased \$1.2 million to \$1.8 million from \$3.0 million for the nine months ended September 30, 2022. The decrease in revenue was attributable to R2, primarily as a result of fewer unit sales outside the U.S. due to payment delays resulting in shipping holds, which was partially offset by an increase in upfront unit sales in the US coupled with increased recurring revenues from consumable and subscription programs.

**Cost of revenue:** Cost of revenue for three months ended September 30, 2023 decreased \$0.5 million to \$0.5 million from \$1.0 million for the three months ended September 30, 2022. Cost of revenue for the nine months ended September 30, 2023 decreased \$1.1 million to \$1.4 million from \$2.5 million for the nine months ended September 30, 2022. The decrease in cost of revenue was attributable to R2, driven by a reduction in revenue.

**Selling, general and administrative:** Selling, general and administrative expense for the three months ended September 30, 2023 decreased \$2.3 million March 31, 2024 increased \$1.2 million to \$3.3 million \$30.9 million from \$5.6 million \$29.7 million for the three months ended September 30, 2022 March 31, 2023. The increase was primarily driven by an increase in compensation-related expenses, which was partially offset primarily by a decrease in facility-related expenses and unrepeatable accounting expenses.

**Depreciation and amortization:** Depreciation and amortization for the three months ended March 31, 2024 decreased \$1.9 million to \$3.0 million from \$4.9 million for the three months ended March 31, 2023. The decrease was primarily driven by Banker Steel, as certain customer contract intangibles became fully amortized in the second quarter of 2023.

**Other operating loss (income):** Other operating income (loss) for the three months ended March 31, 2024 decreased \$1.7 million to a loss of \$1.6 million from income of \$0.1 million for the three months ended March 31, 2023. The decrease in income was primarily driven by a loss on a disposal related to a plant closure in the first quarter of 2024.

**Life Sciences Segment**

	Three months ended March 31,				
			Increase / (Decrease)		
	2024	2023		2024	2023
Revenue	\$ 1.0	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Cost of revenue	0.6	0.5	0.1	0.6	0.5
Selling, general and administrative	3.5	4.3	(0.8)	3.5	4.3
Depreciation and amortization	0.1	0.1	—	0.1	0.1
Loss from operations	\$ (3.2)	\$ (4.4)	\$ 1.2	\$ (3.2)	\$ (4.4)

**Revenue:** Revenue for the three months ended March 31, 2024 increased \$0.5 million to \$1.0 million from \$0.5 million for the three months ended March 31, 2023. The increase in revenue was attributable to R2 Technologies, primarily due to increased unit sales from the launch of the Glacial fx system in the second half of 2023 and an increase in Glacial Rx units sold compared to the prior year period.

**Selling, general and administrative:** Selling, general and administrative expense for the nine three months ended September 30, 2023 March 31, 2024 decreased \$4.3 million \$0.8 million to \$11.7 million \$3.5 million from \$16.0 million \$4.3 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease was primarily driven by decreases from R2 Technologies in compensation-related expenses as well as research net of consultant expenses, marketing expenses, travel expenses and development costs other general and marketing administrative expenses as a result of cost reduction initiatives.

**Spectrum Segment**

	Three Months Ended		Nine Months Ended			
	September 30,		September 30,			
	2023	2022	(Decrease)	2023	2022	(Decrease)

		Three months ended March 31,			Three months ended March 31,			Three months ended March 31,			
		2024			2024			2023			Increase / (Decrease)
Revenue	Revenue	\$ 5.4	\$ 9.1	\$ (3.7)	\$ 16.8	\$ 28.0	\$ (11.2)				
Cost of revenue	Cost of revenue	3.0	4.9	(1.9)	8.9	14.6	(5.7)				
Cost of revenue	Cost of revenue										
Selling, general and administrative	Selling, general and administrative	2.8	4.0	(1.2)	7.1	11.8	(4.7)				
Depreciation and amortization	Depreciation and amortization	1.3	1.4	(0.1)	3.9	4.4	(0.5)				
Other operating loss (income)		0.4	(0.6)	1.0	0.1	1.3	(1.2)				
Loss from operations		<u>\$ (2.1)</u>	<u>\$ (0.6)</u>	<u>\$ (1.5)</u>	<u>\$ (3.2)</u>	<u>\$ (4.1)</u>	<u>\$ 0.9</u>				
Other operating income	Income (loss) from operations										

**Revenue:** Revenue for the three months ended September 30, 2023 decreased \$3.7 million March 31, 2024 increased \$0.6 million to \$5.4 million \$6.3 million from \$9.1 million \$5.7 million for the three months ended September 30, 2022. Revenue for the nine months ended September 30, 2023 decreased \$11.2 million to \$16.8 million from \$28.0 million for the nine months ended September 30, 2022 March 31, 2023. The decrease increase was primarily driven by the elimination of advertising revenues at Azteca, which ceased operations on December 31, 2022. This network launches, and expanded coverage with existing customers. The increase was partially offset by an increase in station revenues, which launched new markets and networks with its customers in the current period.

**Cost of revenue:** Cost of revenue for the three months ended September 30, 2023 decreased \$1.9 million to \$3.0 million from \$4.9 million for the three months ended September 30, 2022. Cost of revenue for the nine months ended September 30, 2023 decreased \$5.7 million to \$8.9 million from \$14.6 million for the nine months ended September 30, 2022. The overall decrease was primarily driven by a decrease in advertising cost of revenue as a result of the termination of Azteca, a number of smaller networks and individual markets subsequent to the comparable period.

**Selling, general and administrative:** Selling, general and administrative expense for the three months ended September 30, 2023 March 31, 2024 decreased \$1.2 million \$0.4 million to \$2.8 million \$1.9 million from \$4.0 million \$2.3 million for the three months ended September 30, 2022 March 31, 2023. The decrease was primarily driven by the termination of Network, which was partially offset by an increase a decrease in severance expense at station group.

**Selling, general salaries and administrative expense:** Selling, general salaries and administrative expense for the nine months ended September 30, 2023 decreased \$4.7 million to \$7.1 million from \$11.8 million for the nine months ended September 30, 2022. The decrease was primarily driven by the termination of Network, which was partially offset by an increase in employee-related costs and severance expense at station group.

**Depreciation and amortization:** Depreciation and amortization expense for the nine months ended September 30, 2023 decreased \$0.5 million to \$3.9 million from \$4.4 million for the nine months ended September 30, 2022. The decrease was primarily driven by the Program License Agreement ("PLA"), which was fully impaired in the comparable period. benefits expense.

**Other operating loss (income):** Other operating loss (income) income for the three months ended September 30, 2023 March 31, 2024 decreased \$1.0 million \$0.3 million to a loss of \$0.4 million zero from income of \$0.6 million \$0.3 million for the three months ended September 30, 2022 March 31, 2023. The decrease was primarily related to a decrease in FCC reimbursements received and asset impairment charges recorded in the current period related to certain redundant equipment and associated capitalized costs.

**Other operating loss income:** Other operating loss income for the nine three months ended September 30, 2023 decreased \$1.2 million to \$0.1 million from \$1.3 million for the nine months ended September 30, 2022. The decrease in loss March 31, 2023 was primarily related to the impairment comprised of the PLA intangible in the comparable period, which was partially offset by asset impairment charges recorded in the current period related to certain redundant equipment and associated capitalized costs and a decrease in FCC reimbursements received, reimbursements.

#### Non-operating Non-Operating Corporate

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,	2024	2023	Increase / (Decrease)
	Three Months Ended September 30,		Nine Months Ended September 30,			
	2023	2022	(Decrease)	2023	2022	(Decrease)
Selling, general and administrative	\$ 4.8	\$ 5.5	\$ (0.7)	\$ 12.6	\$ 15.0	\$ (2.4)
Depreciation and amortization	—	—	—	0.1	0.1	—
Other operating loss						
Other operating loss						
Other operating loss						
Loss from operations	Loss from operations	<u>\$ (4.8)</u>	<u>\$ (5.5)</u>	<u>\$ 0.7</u>	<u>\$ (12.7)</u>	<u>\$ (15.1)</u>
						<u>\$ 2.4</u>

**Selling, general and administrative:** Selling, general and administrative expenses for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$0.7 million** **\$0.8 million** to **\$4.8 million** **\$3.2 million** from **\$5.5 million** **\$4.0 million** for the three months ended **September 30, 2022**. The decrease in SG&A expenses was **March 31, 2023**, primarily driven by severance related to the Company's former Chief Legal Officer accrued for decreases in the prior period, a decrease in legal compensation-related expenses, a decrease in bonus expense, and a decrease in salaries and benefits from a reduced headcount. The decreases were partially offset by severance related to the Company's former Chief Operating Officer accrued for in the current period and increased stock-based compensation expense from the acceleration of awards related to our former CEO.

Selling, general and administrative expenses for the nine months ended September 30, 2023 decreased \$2.4 million to \$12.6 million from \$15.0 million for the nine months ended September 30, 2022. The decrease in SG&A expenses was driven by severance related to the Company's former Chief Legal Officer accrued in the prior period, a decrease in legal expenses, a decrease in bonus expense, a decrease in consulting fees, disposition and acquisition expenses, and a decrease in salaries and benefits from a reduced headcount, as well as other unreported expenses related to the settlement with a former Chief Executive Officer recorded in the comparable period. The decreases were insurance expense, which was partially offset by severance and an increase in legal fees.

**Other operating loss:** Other operating loss for the three months ended March 31, 2024 increased to \$0.3 million from zero for the three months ended March 31, 2023. Other operating loss in 2024 related to lease termination costs related to two leases the Company's former Chief Operating Officer accrued Company exited in the current period and increased stock-based compensation expense from the acceleration of awards related to our former CEO.

#### Loss from Equity Investees

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,	2024	2023	Increase / (Decrease)
	Three Months Ended September 30,		Nine Months Ended September 30,			
	2023	2022	(Decrease)	2023	2022	(Decrease)
Life Sciences						

Life Sciences							
Life Sciences	Life Sciences	\$(1.5)	\$(2.5)	\$ 1.0	\$(5.5)	\$(5.8)	\$ 0.3
Other	Other	—	1.4	(1.4)	(0.3)	3.7	(4.0)
Loss from equity investees	Loss from equity investees	\$(1.5)	\$(1.1)	\$(0.4)	\$(5.8)	\$(2.1)	\$(3.7)

**Life Sciences:** Loss from equity investees within our Life Sciences segment for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$1.0 million** **\$2.5 million** to **\$1.5 million** **\$1.2 million** from **\$2.5 million** **\$3.7 million** for the three months ended **September 30, 2022** **March 31, 2023**. The decrease in loss from equity investees was due to a reduction in losses from MediBeacon, primarily due to lower an unpeated equity method losses recognized from our investment transaction with Huadong in MediBeacon, the comparable period, which were partially offset by higher equity method losses recorded from our investment resulted in Triple Ring, a \$3.8 million increase in Pansend's basis in MediBeacon has been reduced to zero and Pansend has a corresponding \$3.8 million of additional equity method losses that were previously unrecognized, losses from this investment. During whereas, during the **third first** quarter of 2023, 2024, as a result of an additional convertible notes investment note investments in MediBeacon by Pansend, Pansend's basis in MediBeacon increased by **\$1.0 million** **\$1.2 million** and Pansend recognized an additional **\$1.0 million** **\$1.2 million** of equity method losses which were previously unrecognized because unrecognized. As of both March 31, 2024 and 2023, Pansend's net carrying amount of its investment in MediBeacon was zero and Pansend had been previously reduced to zero. Pansend's carrying amount of its investment in MediBeacon remains at zero, which has resulted in fewer unrecognized losses recognized than in the comparable period, from this investment.

**Other:** Loss from equity investees within our **Life Sciences Other** segment for the **nine** three months ended **September 30, 2023** **March 31, 2024** decreased \$0.3 million to **\$5.5 million** zero from **\$5.8 million** a loss of **\$0.3 million** for the **nine** three months ended **September 30, 2022** **March 31, 2023**. The decrease in loss from equity investees for the three months ended March 31, 2023 was primarily due to lower equity method losses recognized from driven by our previous investment in MediBeacon, HMN, which were partially offset by higher equity method was sold on March 6, 2023 and had losses recorded from our investment for the approximately two months of ownership in Triple Ring. Pansend's basis in MediBeacon has been reduced to zero and Pansend has unrecognized losses from this investment. As a result of an additional equity investment made during the first quarter of 2023 by Huadong to MediBeacon, Pansend's basis in MediBeacon increased by \$3.8 million, and Pansend issued an additional \$1.0 million in convertible notes to MediBeacon during the third quarter of 2023, which also increased Pansend's basis in MediBeacon. Pansend recognized \$4.8 million in equity method losses which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero. Pansend's carrying amount of its investment in MediBeacon remains at zero, which has resulted in fewer losses recognized than in the comparable period. The decrease in losses recognized from MediBeacon were partially offset by higher equity method losses from our investment in Triple Ring primarily driven by a gain on debt extinguishment recognized in the comparable period. 2023.

Refer to Note 6. Investments of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information on our **Life Science** segment's investment in MediBeacon.

**Other:** Income from equity investees within our **Other** segment for the three months ended **September 30, 2023** decreased **\$1.4 million** to zero from income of **\$1.4 million** for the three months ended **September 30, 2022**. The decrease was driven by our previous investment in HMN, which was sold on March 6, 2023.

Loss from equity investees within our **Other** segment for the **nine** months ended **September 30, 2023** increased **\$4.0 million** to a loss of **\$0.3 million** from income of **\$3.7 million** for the **nine** months ended **September 30, 2022**. The increase in loss was driven by our previous investment in HMN, which was sold on March 6, 2023, and had losses for the approximately two months of ownership in the current period, compared to net income for the **nine** months in the comparable period.

Refer to Note 6. Investments of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information related to our **Other** segment's disposition of our equity investment in HMN, investments.

#### Non-GAAP Financial Measures and Other Information

##### Adjusted EBITDA

Adjusted EBITDA is not a measurement recognized under U.S. GAAP. In addition, other companies may define Adjusted EBITDA differently than we do, which could limit its usefulness.

Management believes that Adjusted EBITDA provides investors with meaningful information for gaining an understanding of our results as it is frequently used by the financial community to provide insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation, amortization and the other items listed in the definition of Adjusted EBITDA below can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt. While management believes that non-U.S. GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our U.S. GAAP financial results. Using Adjusted EBITDA as a performance measure has inherent limitations as an analytical tool as compared to net income (loss) or other U.S. GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance.

The calculation of Adjusted EBITDA, as defined by us, consists of Net income (loss) attributable to INNOVATE Corp., excluding discontinued operations, if applicable; depreciation and amortization; other operating (income) loss, which is inclusive of (gain) loss on sale or disposal of assets, lease termination costs, asset impairment expense and FCC reimbursements; interest expense; other (income) expense, net; income tax expense (benefit); non-controlling interest; share-based compensation expense; legacy accounts receivable write-off; restructuring and exit costs; non-recurring items; and acquisition and disposition costs.

(in millions)	(in millions)	Three months ended September 30, 2023	(in millions)	Three months ended March 31, 2024
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		Non- operating Other and Corporate					INNOVATE					
		Infrastructure	Life Sciences	Spectrum	Corporate	Eliminations	INNOVATE					
		Infrastructure					Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Net income (loss)	Net income (loss)											
attributable to INNOVATE Corp.	attributable to INNOVATE Corp.	\$	10.8	\$ (3.6)	\$ (6.5)	\$ (7.7)	\$ —	\$ (7.0)				
Net income (loss) attributable to INNOVATE Corp.												
Net income (loss) attributable to INNOVATE Corp.												
Adjustments to <u>reconcile net</u> <u>income (loss) to</u> <u>income (loss) to</u> <u>Adjusted</u> <u>EBITDA:</u>	Adjustments to <u>reconcile net</u> <u>income (loss) to</u> <u>income (loss) to</u> <u>Adjusted</u> <u>EBITDA:</u>											
Depreciation and amortization	Depreciation and amortization											
Depreciation and amortization	Depreciation and amortization	2.6	0.1	1.3	—	—	—	—	4.0			
Depreciation and amortization (included in cost of revenue)	Depreciation and amortization (included in cost of revenue)	3.8	—	—	—	—	—	—	3.8			
Other operating (income) loss	(0.2)	—	0.4	—	—	—	—	0.2				
Interest expense	3.5	0.9	3.4	9.3	—	—	—	17.1				
Other operating loss												
Other operating loss												
Interest expense												
Other (income) expense, net	Other (income) expense, net	(0.7)	(0.1)	1.8	(1.4)	—	—	(0.4)				
Income tax expense (benefit)	6.1	—	—	(5.0)	—	—	—	1.1				
Income tax expense												
Income tax expense												
Income tax expense												
Non-controlling interest	Non-controlling interest	1.0	(1.8)	(0.8)	—	—	—	(1.6)				
Share-based compensation expense	Share-based compensation expense	—	0.2	—	0.6	—	—	0.8				
Legacy accounts receivable write-off	2.2	—	—	—	—	—	—	2.2				
Share-based compensation expense												
Share-based compensation expense												
Restructuring and exit costs												

Restructuring and exit costs						
Restructuring and exit costs	Restructuring and exit costs	1.1	—	0.1	—	—
Acquisition and disposition costs		0.6	—	—	0.1	—
Adjusted EBITDA	Adjusted EBITDA	\$ 30.8	\$ (4.3)	\$ (0.3)	\$ (4.1)	\$ 22.1
Adjusted EBITDA						
Adjusted EBITDA						

(in millions)	(in millions)	Three months ended September 30, 2022					(in millions)	Three months ended March 31, 2023						
		Non- Infrastructure	Life Sciences	operating Spectrum	Other and Corporate	Eliminations	INNOVATE		Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Net income (loss) attributable to INNOVATE Corp.	Net income (loss) attributable to INNOVATE Corp.	\$ 10.4	\$ (5.5)	\$ (1.4)	\$ (9.6)	\$ 0.7	\$ (5.4)							
Net income (loss) attributable to INNOVATE Corp.	Net income (loss) attributable to INNOVATE Corp.													
Adjustments to reconcile net income (loss) to Adjusted EBITDA:	Adjustments to reconcile net income (loss) to Adjusted EBITDA:													
Depreciation and amortization	Depreciation and amortization	5.3	0.1	1.4	—	—	6.8							
Depreciation and amortization (included in cost of revenue)	Depreciation and amortization (included in cost of revenue)	3.9	—	—	—	—	3.9							
Other operating income	Other operating income	—	—	(0.6)	—	—	(0.6)							
Interest expense	Interest expense	2.6	0.2	2.2	8.3	—	13.3							
Other operating income	Other operating income													
Interest expense	Interest expense													
Other (income) expense, net	Other (income) expense, net	(0.6)	(0.3)	(1.1)	2.9	—	0.9							
Income tax expense (benefit)	Income tax expense (benefit)													
Income tax expense (benefit)	Income tax expense (benefit)	5.0	—	—	(7.0)	—	(2.0)							

Non-controlling interest	Non-controlling interest	1.0	(2.2)	(0.4)	—	0.3	(1.3)
Share-based compensation expense	Share-based compensation expense	—	0.1	—	0.3	—	0.4
Share-based compensation expense	Share-based compensation expense	—	0.1	—	0.3	—	0.4
Restructuring and exit costs	Restructuring and exit costs	—	0.2	0.1	0.1	0.4	—
Acquisition and disposition costs	Acquisition and disposition costs	—	—	0.2	0.1	0.1	0.4
Acquisition and disposition costs	Acquisition and disposition costs	—	—	0.2	0.1	0.1	0.4
Adjusted EBITDA	Adjusted EBITDA	\$ 27.6	\$ (7.6)	\$ 0.3	\$ (5.0)	\$ 1.1	\$ 16.4

Adjusted EBITDA by segment is summarized as follows:

(in millions):	Three Months Ended March 31,		
			Increase / (Decrease)
	2024	2023	
Infrastructure	\$ 18.3	\$ 16.3	\$ 2.0
Life Sciences	(4.2)	(7.8)	3.6
Spectrum	1.6	0.4	1.2
Non-Operating Corporate	(2.9)	(3.5)	0.6
Other and Eliminations	—	(0.5)	0.5
Adjusted EBITDA	\$ 12.8	\$ 4.9	\$ 7.9

**Infrastructure:** Net income from our Infrastructure segment for the three months ended **September 30, 2023** **March 31, 2024** increased **\$0.4 million** **\$2.4 million** to **\$10.8 million** **\$4.4 million** from **\$10.4 million** **\$2.0 million** for the three months ended **September 30, 2022** **March 31, 2023**. Adjusted EBITDA from our Infrastructure segment for the three months ended **September 30, 2023** **March 31, 2024** increased **\$3.2 million** **\$2.0 million** to **\$30.8 million** **\$18.3 million** from **\$27.6 million** **\$16.3 million** for the three months ended **September 30, 2022** **March 31, 2023**. The increase in Adjusted EBITDA was primarily driven by timing of higher margin projects margins at DBMG's commercial structural steel fabrication and erection business, increased contributions from and the industrial maintenance and repair businesses, which was partially offset by an increase in recurring SG&A, primarily as a result of compensation-related expenses and a decrease in margin at the construction modeling and detailing business, a decrease in recurring SG&A expenses, as well as increased contributions from the industrial maintenance and repair business. This was partially offset by lower contributions from Banker Steel due to timing and size of projects.

**Life Sciences:** Net loss from our Life Sciences segment for the three months ended **September 30, 2023** decreased **\$1.9 million** **March 31, 2024** increased **\$1.7 million** to **\$3.6 million** **\$4.5 million** from **\$5.5 million** **\$2.8 million** for the three months ended **September 30, 2022** **March 31, 2023**. Adjusted EBITDA loss from our Life Sciences segment for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$3.3 million** **\$3.6 million** to **\$4.3 million** **\$4.2 million** from **\$7.6 million** **\$7.8 million** for the three months ended **September 30, 2022** **March 31, 2023**. The decrease in Adjusted EBITDA loss was primarily due to a decrease in SG&A expenses at R2, driven by a decrease in compensation-related expenses, research and development and marketing costs as a result of cost reduction initiatives, as well as lower equity method losses recognized from Pansend's our investment in MediBeacon primarily due to an unrepeatable equity transaction with Huadong in the comparable period, which resulted in a \$3.8 million increase in Pansend's basis in MediBeacon and a corresponding \$3.8 million of additional equity method losses that were previously unrecognized, whereas, during the first quarter 2024, as a result of suspended losses due to the investment's carrying amount being reduced to zero. This was partially offset additional convertible note investments in MediBeacon by net higher Pansend, Pansend's basis in MediBeacon increased by \$1.2 million and Pansend recognized \$1.2 million of equity method losses recorded from our which were previously unrecognized. As of both March 31, 2024 and 2023, Pansend's net carrying amount of its investment in Triple Ring.

**Spectrum:** Net loss MediBeacon was zero and Pansend had unrecognized losses from our Spectrum segment for the three months ended September 30, 2023 increased \$5.1 million to \$6.5 million from \$1.4 million for the three months ended September 30, 2022. Adjusted EBITDA from our Spectrum segment for the three months ended September 30, 2023 decreased \$0.6 million to a loss of \$0.3 million from income of \$0.3 million for the three months ended September 30, 2022. The decrease in Adjusted EBITDA was primarily due to an increase in SG&A expenses at station group, driven by an increase in severance and salaries and benefit related expenses.

**Non-operating Corporate:** Net loss from our Non-operating Corporate segment for the three months ended September 30, 2023 decreased \$1.9 million to \$7.7 million from \$9.6 million for the three months ended September 30, 2022. Adjusted EBITDA loss from our Non-operating Corporate segment for the three months ended September 30, 2023 decreased \$0.9 million to \$4.1 million from \$5.0 million for the three months ended September 30, 2022. The decrease in Adjusted EBITDA loss was primarily driven by a decrease in legal expenses, and decreases in bonus expense, salaries and benefits from reduced headcount, as well as a net decrease in severance expense, which related to the Company's former Chief Operating Officer in the current period and to the Company's former Chief Legal Officer in the prior period.

**Other and Eliminations:** Net income from our Other and Eliminations segment for the three months ended September 30, 2023 decreased \$0.7 million to zero from \$0.7 million for the three months ended September 30, 2022. Adjusted EBITDA from our Other segment for the three months ended September 30, 2023 decreased \$1.1 million to zero from \$1.1 million for the three months ended September 30, 2022. The decrease in Adjusted EBITDA was primarily driven by the elimination of equity method income from our investment in HMN, which was sold on March 6, 2023, this investment. Refer to Note 6. Investments of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information related to our Other segment's disposition of our equity investment in HMN.

	Nine months ended September 30, 2023						
				Non-operating			
	Infrastructure	Life Sciences	Spectrum	Corporate	Other and Eliminations	INNOVATE	
Net income (loss) attributable to INNOVATE Corp.	\$ 19.8	\$ (9.3)	\$ (16.8)	\$ (27.8)	\$ 8.2	\$ (25.9)	
<b>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</b>							
Depreciation and amortization	11.6	0.3	3.9	0.1	—	15.9	
Depreciation and amortization (included in cost of revenue)	11.7	0.1	—	—	—	11.8	
Other operating (income) loss	(0.2)	—	0.1	—	—	(0.1)	
Interest expense	10.3	2.1	10.0	26.6	—	49.0	
Other (income) expense, net	(1.2)	(4.1)	5.5	(4.9)	(12.5)	(17.2)	
Income tax expense (benefit)	11.0	—	—	(6.6)	(1.2)	3.2	
Non-controlling interest	1.9	(5.6)	(2.0)	—	3.3	(2.4)	
Share-based compensation expense	—	0.5	—	1.5	—	2.0	
Legacy accounts receivable write-off	2.2	—	—	—	—	2.2	
Restructuring and exit costs	2.1	—	0.1	—	—	2.2	
Acquisition and disposition costs	1.4	—	0.1	0.1	1.2	2.8	
Adjusted EBITDA	<b>\$ 70.6</b>	<b>\$ (16.0)</b>	<b>\$ 0.9</b>	<b>\$ (11.0)</b>	<b>\$ (1.0)</b>	<b>\$ 43.5</b>	

	Nine months ended September 30, 2022						
				Non-operating			
	Infrastructure	Life Sciences	Spectrum	Corporate	Other and Eliminations	INNOVATE	
Net income (loss) attributable to INNOVATE Corp.	\$ 23.3	\$ (14.9)	\$ (10.5)	\$ (30.4)	\$ 2.3	\$ (30.2)	
<b>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</b>							
Depreciation and amortization	15.9	0.2	4.4	0.1	—	20.6	
Depreciation and amortization (included in cost of revenue)	11.2	—	—	—	—	11.2	
Other operating (income) loss	(0.6)	—	1.3	—	—	0.7	
Interest expense	7.0	0.2	6.1	25.1	—	38.4	
Other (income) expense, net	(1.9)	(0.4)	1.8	—	—	(0.5)	
Income tax expense (benefit)	11.4	—	—	(9.8)	—	1.6	
Non-controlling interest	2.3	(6.3)	(1.5)	—	1.0	(4.5)	
Share-based compensation expense	—	0.3	—	1.4	—	1.7	
Non-recurring items	0.1	—	—	—	—	0.1	
Acquisition and disposition costs	0.3	—	0.4	0.6	(0.4)	0.9	
Adjusted EBITDA	<b>\$ 69.0</b>	<b>\$ (20.9)</b>	<b>\$ 2.0</b>	<b>\$ (13.0)</b>	<b>\$ 2.9</b>	<b>\$ 40.0</b>	

**Infrastructure:** Net income from our Infrastructure segment for the nine months ended September 30, 2023 decreased \$3.5 million to \$19.8 million from \$23.3 million for the nine months ended September 30, 2022. Adjusted EBITDA from our Infrastructure segment for the nine months ended September 30, 2023 increased \$1.6 million to \$70.6 million from \$69.0 million for the nine months ended September 30, 2022. The increase in Adjusted EBITDA was primarily driven by DBMG's commercial structural steel fabrication and erection business and increased contribution from the construction modeling and detailing business. While the commercial structural steel fabrication and erection business experienced customer and general contractor driven delays in the current period that impacted its revenue, Adjusted EBITDA saw margin improvement as projects completed in the comparable period, which had lower margins due to market pressure on point-of-sale project margins during the COVID-19 pandemic, were replaced with more recent projects with higher point-of-sale margins in the current period. This was partially offset by lower contributions from Bunker Steel and

the industrial maintenance and repair businesses due to investments. Additionally contributing to the timing of projects, as well as an increase in recurring SG&A, primarily compensation-related expenses.

**Life Sciences:** Net loss from our Life Sciences segment for the nine months ended September 30, 2023 decreased \$5.6 million to \$9.3 million from \$14.9 million for the nine months ended September 30, 2022. Adjusted EBITDA loss from our Life Sciences segment for the nine months ended September 30, 2023 decreased \$4.9 million to \$16.0 million from \$20.9 million for the nine months ended September 30, 2022. The decrease in Adjusted EBITDA loss was primarily due to R2 Technologies, driven by a decrease in SG&A expenses at R2, driven by a decrease primarily from decreases in compensation-related expenses, research marketing costs, and development other general and marketing costs administrative expenses as a result of cost reduction initiatives, as well as lower equity method losses recognized from our investment in MediBeacon revenue primarily due to an increase in Glacial fx unit sales, which launched in the current period, as a result second half of suspended losses due to the investment's carrying amount being reduced to zero. The decrease was partially offset by higher equity method losses from our investment in Triple Ring driven by a gain on debt extinguishment recognized in the comparable period. Glacial Rx unit sales.

**Spectrum:** Net loss from our Spectrum segment for the nine months ended September 30, 2023 increased \$6.3 million to \$16.8 million from \$4.8 million from \$10.5 million \$5.0 million for the nine months ended September 30, 2022 March 31, 2023. Adjusted EBITDA from our Spectrum segment for the nine months ended September 30, 2023 decreased \$1.1 million to \$1.2 million from \$0.9 million \$1.6 million from \$2.0 million \$0.4 million for the nine months ended September 30, 2022 March 31, 2023. The decrease in Adjusted EBITDA was primarily due to an increase in SG&A expenses at station group, revenue primarily driven by an increase network launches and expanded coverage with existing customers, as well as a decrease in salaries and benefits and severance expense, which were expense. This was partially offset by the elimination of Network's EBITDA losses in the comparable period as a result of the termination of Network a number of smaller networks and an increase in station revenues, which launched new individual markets and networks with its customers in subsequent to the current comparable period.

**Non-operating Non-Operating Corporate:** Net loss from our Non-operating Non-Operating Corporate segment for the nine months ended September 30, 2023 decreased \$2.6 million to \$27.8 million from \$30.4 million \$12.5 million from \$11.9 million for the nine months ended September 30, 2022 March 31, 2023. Adjusted EBITDA loss from our Non-operating Non-Operating Corporate segment for the nine months ended September 30, 2023 March 31, 2024 decreased \$2.0 million to \$11.0 million from \$13.0 million \$3.5 million for the nine months ended September 30, 2022 March 31, 2023. The decrease in Adjusted EBITDA loss was primarily driven by a decrease decreases in compensation-related expenses, consulting fees, and insurance expense, which was partially offset by an increase in legal and settlement expenses, decreases in bonus expense, salaries and benefits from reduced headcount, as well as a net decrease in severance expense, which related to the Company's former Chief Operating Officer in the current period and to the Company's former Chief Legal Officer in the prior period.

**Other and Eliminations:** Net income from our Other segment and Eliminations segment for the nine months ended September 30, 2023 increased \$5.9 million to \$8.7 million to \$8.2 million from \$2.3 million \$8.7 million for the nine months ended September 30, 2022 March 31, 2023. Adjusted EBITDA losses from our Other segment for the nine months ended September 30, 2023 March 31, 2024 decreased \$3.9 million to \$0.5 million from an Adjusted EBITDA loss of \$1.0 million from Adjusted EBITDA income of \$2.9 million \$0.5 million for the nine months ended September 30, 2022 March 31, 2023. The decrease in Adjusted EBITDA loss was driven primarily by reduced contribution from our previous investment in HMN, which was sold on March 6, 2023 and severance related expense at TIC Holdco, Inc. had losses for the approximately two months of ownership in 2023.

Adjusted EBITDA by segment is summarized as follows:

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023		2022		Increase / (Decrease)		2023		2022		Increase / (Decrease)	
	\$	30.8	\$	27.6	\$	3.2	\$	70.6	\$	69.0	\$	1.6
Infrastructure	\$	30.8	\$	27.6	\$	3.2	\$	70.6	\$	69.0	\$	1.6
Life Sciences		(4.3)		(7.6)		3.3		(16.0)		(20.9)		4.9
Spectrum		(0.3)		0.3		(0.6)		0.9		2.0		(1.1)
Non-operating Corporate		(4.1)		(5.0)		0.9		(11.0)		(13.0)		2.0
Other and Eliminations		—		1.1		(1.1)		(1.0)		2.9		(3.9)
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>22.1</b>	<b>\$</b>	<b>16.4</b>	<b>\$</b>	<b>5.7</b>	<b>\$</b>	<b>43.5</b>	<b>\$</b>	<b>40.0</b>	<b>\$</b>	<b>3.5</b>

#### Backlog

Projects in backlog consist of awarded contracts, letters of intent, notices to proceed, change orders, and purchase orders obtained. Backlog increases as contract commitments are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts. Backlog is converted to sales in future periods as work is performed or projects are completed. Backlog can be significantly affected by the receipt or loss of individual contracts.

#### Infrastructure Segment

As of September 30, 2023 March 31, 2024, DBMG's backlog was \$1,265.5 million \$939.1 million, consisting of \$1,154.0 million \$835.2 million under contracts or purchase orders and \$111.5 million \$103.9 million under letters of intent or notices to proceed. Approximately \$571.4 million \$402.7 million, representing 45.2% 42.9% of DBMG's backlog as of September 30, 2023 March 31, 2024, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more of these projects terminate or reduce their scope, DBMG's backlog could decrease substantially. DBMG includes an additional \$8.2 million \$13.9 million in its backlog that is not included in the remaining unsatisfied performance obligations disclosed in Note 3. Revenue and Contracts in Process of the Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information. Process. This additional backlog includes commitments under master service agreements that are estimated amounts of work to be performed based on customer communications, historic performance and knowledge of our customers' intentions.

#### Liquidity and Capital Resources

## Short- and Long-Term Liquidity Considerations and Risks

Our Non-Operating Corporate segment consists of holding companies, and its liquidity needs are primarily for interest payments on its 2026 Senior Secured Notes, 2026 Convertible Notes, Revolving Line of Credit, CGIC Unsecured Note, and dividend payments on its Series A-3 and Series A-4 Preferred Stock and recurring operational expenses.

On a consolidated basis, as of **September 30, 2023** **March 31, 2024**, we had **\$55.7 million** **\$38.4 million** of cash and cash equivalents, excluding restricted cash, compared to **\$80.4 million** **\$80.8 million** as of **December 31, 2022** **December 31, 2023**. On a stand-alone basis, as of **September 30, 2023** **March 31, 2024**, our Non-operating Non-Operating Corporate segment had cash and cash equivalents, excluding restricted cash, of **\$1.5 million** **\$9.2 million** compared to **\$9.1 million** at December 31, 2022 **\$2.5 million** as of December 31, 2023.

Our subsidiaries' principal liquidity requirements arise from cash used in operating activities, debt service, and capital expenditures, including purchases of steel construction equipment, over-the-air ("OTA") OTA broadcast station equipment, development of back-office systems, operating costs and expenses, and income taxes.

As of **September 30, 2023** **March 31, 2024**, we had **\$756.8 million** **\$687.0 million** of principal indebtedness on a consolidated basis compared to **\$725.3 million** **\$722.8 million** as of **December 31, 2022** **December 31, 2023**, a net increase decrease of **\$31.5 million** **\$35.8 million**, which was primarily due to the issuance of the **\$35.1 million** CGIC Unsecured Note, a **\$39.1 million** net decrease in debt at our Infrastructure segment, mostly offset by the issuance of additional debt at R2 Technologies in principal amount of **\$6.6 million**, partially offset by a **\$10.2 million** net decrease in debt at our Infrastructure segment, **\$3.3 million**.

As of September 30, 2023, on **On** a stand-alone basis, our Non-operating Corporate segment indebtedness increased to remained at **\$436.9 million** from **\$401.8 million** as of December 31, 2022, an increase of **\$35.1 million**, attributable to the issuance of the **\$35.1 million** CGIC Unsecured Note. As of September 30, 2023, our Non-Operating Corporate segment's stand-alone indebtedness both **March 31, 2024** and **December 31, 2023** and consists of the **\$330.0 million** aggregate principal amount of 2026 Senior Secured Notes, **\$51.8 million** aggregate principal amount of 2026 Convertible Notes, **\$35.1 million** principal amount CGIC Unsecured Note and **\$20.0 million** aggregate principal amount drawn on **the our** Revolving Line of Credit. Our Non-operating Non-Operating Corporate segment is required to make semi-annual interest payments on the 2026 Senior Secured Notes and 2026 Convertible Notes on February 1st and August 1st of each year, quarterly interest payments on the Revolving Line of Credit, and monthly interest payments on the CGIC Unsecured Note. As described below, the interest rate on the CGIC Unsecured Note will increase from **9%** **9.0%** per annum to **16%** **16.0%** per annum on May 9, 2024 and from **16%** **16.0%** per annum to **32%** **32.0%** per annum on May 9, 2025. As a result of the closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the amount of the greater of **\$3.0 million** or **12.5%** of the net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed **\$4.1 million** of the CGIC Unsecured Note.

We are required to make dividend payments on our outstanding Series A-3 and Series A-4 Preferred Stock on January 15<sup>th</sup>, April 15<sup>th</sup>, July 15<sup>th</sup>, and October 15<sup>th</sup> of each year.

Our Non-Operating Corporate segment received **\$7.0 million** and **\$18.3 million** in tax sharing payments from **its our** Infrastructure segment for the three and nine months ended **September 30, 2023**, respectively **March 31, 2024**.

We have financed our growth and operations to date, and expect to finance our future growth and operations, through public offerings and private placements of debt and equity securities, credit facilities, vendor financing, finance lease financing and other financing arrangements, as well as cash generated from the operations of our subsidiaries. In the future, we may also choose to sell assets or certain investments to generate cash.

### Rights Offering and Concurrent Private Placement

On **March 15, 2023** **March 8, 2024**, DBMGi received the Company commenced a redemption notice from CGIC, **\$19.0 million** rights offering ("Rights Offering") for its common stock. Pursuant to the Rights Offering, the Company distributed to each holder of the Company's common stock, Series A Fixed-to-Floating Rate Perpetual A-3 Convertible Participating Preferred Stock, Series A-4 Convertible Participating Preferred Stock and the 2026 Convertible Notes as of DBMGi **March 6, 2024** (the "DBMGi Preferred Stock" "rights offering record date") requesting that DBMGi redeem **41,820.25**, transferable subscription rights to purchase 0.2858 shares of DBMGi Preferred Stock, representing all the Company's common stock at a price of the issued and outstanding shares of DBMGi Preferred Stock, within 60 days of the notice, or by May 15, 2023. On May 9, 2023, the Company entered into a Stock Purchase Agreement and Subordinated Unsecured Promissory Note with CGIC whereby the Company agreed to purchase the 41,820.25 shares of DBMGi Preferred Stock for full satisfaction of the redemption notice. In full consideration of the DBMGi Preferred Stock as well as an accrued dividend of \$0.4 million, the Company paid CGIC \$7.1 million on May 9, 2023, and issued a subordinated unsecured promissory note to CGIC in the principal amount of \$35.1 million (the "CGIC Unsecured Note"). The CGIC Unsecured Note is due February 28, 2026, and bears interest at **9%** **\$0.70** per annum through May 8, 2024, **16%** per annum from May 9, 2024 to May 8, 2025, and **32%** per annum thereafter. The CGIC Unsecured Note also requires a mandatory prepayment from the proceeds from certain asset sales and the greater of **\$3 million** or **12.5%** of the proceeds from certain equity sales. Other covenants in the CGIC Unsecured Note are generally consistent with the Company's Indenture governing the 8.50% Senior Secured Notes due 2026, dated as of February 1, 2021, by and among the Company, the guarantors party thereto and U.S. Bank National Association. The foregoing is a summary only and does not purport to be a complete description of all of the terms, provisions, covenants, and agreements contained in the Stock Purchase Agreement and Subordinated Unsecured Promissory Note, and is subject to and qualified in its entirety by reference to the full text of the Stock Purchase Agreement and Subordinated Unsecured Promissory Note, which were filed with our Quarterly Report on Form 10-Q filed with the SEC on May 10, 2023, as Exhibits 10.5 and 10.6, respectively, and are incorporated herein by reference. On May 8, 2023, INNOVATE drew an additional \$8.0 million under the Revolving Credit Agreement. Additionally, on July 31, 2023, INNOVATE drew an additional \$7.0 million under the Revolving Credit Agreement, increasing the outstanding balance to \$20.0 million as of September 30, 2023, whole share.

On November 7, 2023, Per the concurrent investment agreement entered into with Lancer Capital LLC ("Lancer" (the "Investment Agreement")), a related party and the Rights Offering was backstopped by Lancer Capital, an entity controlled investment fund led by Avram A. Glazer, the Chairman of INNOVATE's Board of Directors and a beneficial owner the Company's largest stockholder. Due to limitations on the common stock that can be issued to Lancer Capital under the rules of the Company, provided a letter New York Stock Exchange ("NYSE"), in lieu of support for exercising its subscription rights, pursuant to the Investment Agreement, Lancer Capital would purchase up to **\$19.0 million** of the Company's newly issued Series C Non-Voting Participating Convertible Preferred Stock (the "Series C Preferred Stock"), for an issue price of \$1,000 per share. In connection with the backstop commitment, and as a result of limitations in the amount common equity that can be raised under the Company's effective shelf registration statement on Form S-3, Lancer Capital also agreed to purchase an additional \$16.0 million of Series C Preferred Stock in a private placement transaction ("Concurrent Private Placement") to close concurrently with the settlement of the Rights Offering. Lancer Capital did not receive any compensation or other consideration for entering into or consummating the Investment Agreement.

As the Rights Offering had not yet settled by March 28, 2024, in accordance with the Investment Agreement, Lancer Capital purchased \$25.0 million of Series C Preferred Stock, referred to as the "equity advance." Subsequent to quarter end, on April 24, 2024, the Company completed and closed on the Rights Offering and issued a total of 5,306,105 shares of common stock for approximately \$3.7 million. Based on the number of shares of common stock actually sold upon exercise of the rights to third party investors, there were no excess shares of Series C Preferred Stock purchased by Lancer Capital under the equity advance that the Company was required to redeem, and Lancer Capital purchased an additional approximately 6,286 Series C Preferred Stock for \$6.3 million under the backstop commitment. The total gross proceeds received subsequent to quarter end were \$10.0 million.

The Company received \$35.0 million in aggregate gross proceeds related to the Company expressing Lancer's continued support for Rights Offering and Concurrent Private Placement. As of March 31, 2024, the Company had incurred \$1.8 million in dealer manager fees and Lancer's intent other costs related to facilitate the provision Rights Offering and Concurrent Private Placement, of which

\$1.3 million was allocated to the Series C Preferred Stock and \$0.5 million was capitalized as Additional paid in capital. An additional funding as reasonably requested by \$0.3 million in costs were incurred subsequent to quarter end. INNOVATE expects to use the Board through net proceeds from the earlier of November 30, 2024 or the date on which the Company closes any sale or series of sales of Rights Offering for general corporate purposes, including debt or equity security raised service and for working capital. As a result of the Company, both as defined closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the letter, resulting in aggregate amount of the greater of \$3.0 million or 12.5% of the net proceeds proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the Company of greater than or equal CGIC Unsecured Note. For more information regarding the Rights Offering, refer to \$35.0 million. Management believes that with the available cash on hand, available borrowings under the Revolving Line of Credit, distributions from the Company's subsidiaries Note 15. Temporary Equity and the letter of support from Lancer, the Company will be able to meet its obligations for at least the next twelve months from the issuance Equity of the Condensed Consolidated Financial Statements. Statements included in this Quarterly Report on Form 10-Q.

The ability of INNOVATE's subsidiaries to make distributions to INNOVATE is subject to numerous factors, including restrictions contained in each subsidiary's financing agreements, availability of sufficient funds at each subsidiary and the approval of such payment by each subsidiary's board of directors, which must consider various factors, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors each subsidiary's board of directors considers relevant. Although the Company believes that it will be able, to the extent needed, to raise additional debt or equity capital, refinance indebtedness or preferred stock, enter into other financing arrangements or engage in asset sales and sales of certain investments sufficient to fund any cash needs that we are not able to satisfy with the funds on hand or expected to be provided by our subsidiaries, there can be no assurance that it will be able to do so on terms satisfactory to the Company, if at all. Such financing options, if pursued, may also ultimately have the effect of negatively impacting our liquidity profile and prospects over the long-term and dilute the holders of common stock. Our ability to sell assets and certain of our investments to meet our existing financing needs may also be limited by our existing financing instruments. In addition, the sale of assets or the Company's investments may also make the Company less attractive to potential investors or future financing partners.

#### **Capital Expenditures**

Capital expenditures are set forth in the table below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022	
Three months ended March 31,					
Three months ended March 31,					
Three months ended March 31,					
2024			2024		2023
Infrastructure	Infrastructure	\$ 5.5	\$ 6.9	\$ 12.5	\$ 13.5
Life Sciences	Life Sciences	—	0.2	0.3	0.3
Spectrum	Spectrum	0.2	0.4	0.8	2.5
Non-operating Corporate	Non-operating Corporate	—	—	0.3	—
Total	Total	\$ 5.7	\$ 7.5	\$ 13.9	\$ 16.3

#### **Indebtedness**

##### **Non-Operating Corporate**

###### **2026 Senior Secured Notes**

On February 1, 2021, our Non-Operating Corporate segment repaid the senior secured notes that were due in 2021 and issued \$330.0 million aggregate principal amount of 8.50% senior secured notes due February 1, 2026 (the "2026 Senior Secured Notes"). The 2026 Senior Secured Notes mature on February 1, 2026, and accrue interest at a rate of 8.50% per year, which interest is paid

semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. For additional information on the terms and conditions of the 2026 Senior Secured Notes, including guarantees, ranking and collateral, refer to Note 13.11. Debt Obligations to included in the Consolidated Financial Statements included in our 2022 2023 Annual Report on Form 10-K, which was filed with the SEC on March 14, 2023 March 6, 2024.

#### 2026 Convertible Notes - Terms and Conditions

As of September 30, 2023 March 31, 2024, we had \$51.8 million 2026 Convertible Notes outstanding. The 2026 Convertible Notes were issued under a separate indenture dated February 1, 2021, between the Company and U.S. Bank, as trustee (the "Convertible Indenture"). The 2026 Convertible Notes mature on August 1, 2026 unless earlier converted, redeemed or purchased. The 2026 Convertible Notes accrue interest at a rate of 7.5% per year, which interest is paid semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. For additional information on the terms and conditions of the 2026 Convertible Notes, including optional redemption, conversion rights guarantees, ranking and collateral, refer to Note 13.11. Debt Obligations to included in the Consolidated Financial Statements included in our 2022 2023 Annual Report on Form 10-K, which was filed with the SEC on March 14, 2023 March 6, 2024.

Our debt contains customary events of default which could, subject to certain conditions, cause the 2026 Senior Secured Notes and the 2026 Convertible Notes to become immediately due and payable.

#### Revolving Line of Credit Agreement

We have a revolving credit agreement with MSD PCOF Partners IX, LLC ("MSD") which has a maximum commitment of \$20.0 million ("Revolving Line of Credit"), of which \$20.0 million had been drawn as of September 30, 2023 March 31, 2024. Interest on loans under the Revolving Line of Credit accrues at SOFR plus 5.75% plus and is payable quarterly. The Revolving Line of Credit also includes a commitment fee at a per annum rate of 1.0% calculated based on the actual daily amount of unused availability under the revolving credit line with MSD. The maturity date of the Revolving Line of Credit is March 16, 2025. The amount outstanding under the Revolving Line of Credit is subject to mandatory prepayment from the net cash proceeds from certain asset sales in excess of \$10.0 million.

In March 2023, Subsequent to quarter end, on May 6, 2024, the Company paid down \$15.0 million and MSD extended the maturity date of its Revolving Line of Credit Agreement, and in May and July 2023, INNOVATE drew an aggregate additional \$15.0 million under the Revolving Credit Agreement, bringing the outstanding balance from March 16, 2025 to \$20.0 million as of September 30, 2023 May 16, 2025.

For additional information on the terms and conditions of the Revolving Line of Credit, Facility, including guarantees and ranking and collateral, refer to Note 13.11. Debt Obligations to included in the Consolidated Financial Statements included in our 2022 2023 Annual Report on Form 10-K, which was filed with the SEC on March 14, 2023 March 6, 2024.

#### CGIC Unsecured Note

On May 9, 2023, in connection with the redemption of the DBMG Series A Preferred Stock, the Company issued a subordinated unsecured promissory note to CGIC in the principal amount of \$35.1 million (the "CGIC Unsecured Note"). The CGIC Unsecured Note is due February 28, 2026, and bears interest at 9% 9.0% per annum through May 8, 2024, 16% 16.0% per annum from May 9, 2024 to May 8, 2025, and 32% 32.0% per annum thereafter. The As a result of the closing of the Rights Offering and Concurrent Private placement, a mandatory prepayment was required on the CGIC Unsecured Note, also requires a mandatory prepayment from the proceeds from certain asset sales and amount of the greater of \$3 \$3.0 million or 12.5% of the proceeds from certain equity sales, net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the CGIC Unsecured Note. Refer to Footnote Note 15. Temporary Equity and Equity and to Note 11. Debt Obligations of included in the Condensed Consolidated Financial Statements included in our 2023 Annual Report on Form 10-K, which was filed with the SEC on March 6, 2024, as well as Note 15. Temporary Equity and Equity included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for additional information, details regarding the \$4.1 million partial redemption.

#### Infrastructure

As DBMG and Banker Steel, jointly and severally, have a subordinated 4.0% note payable to Banker Steel's former owner, in which Donald Banker's family trust has a 25% interest, and jointly and severally also had a subordinated 8.0% note payable to Donald Banker's family trust, the latter of September 30, 2023, our Infrastructure segment had an aggregate principal amount of outstanding debt of \$232.8 million. On August 2, 2022 which was fully paid off in December 2023. During the three months ended March 31, 2024, DBMG negotiated and finalized an amendment to its UMB Revolving Line which included a retrospective change to the terms of the Fixed Coverage Ratio, and an increase made \$2.5 million in the UMB Revolving Line commitment from \$110.0 million to \$135.0 million, among other things. Subsequent to quarter end, on November 2, 2023, UMB indicated its intent to extend the maturity date of the Revolving Line from May 31, 2024 to September 30, 2025. As part of the modification, the interest rate spread for the Revolving Line will be increased by 0.35% across all tiers, and the interest rate floor will be increased from 3.0% to 4.25%. No definitive agreements have been signed as of the filing date of this Form 10-Q Quarterly Report. There can be no assurances that the final signed agreements with UMB will close scheduled payments on the aforementioned terms or if at all. 4.0% note. The 4.0% note expired March 31, 2024 and was fully redeemed on April 2, 2024.

Refer to Note 11. Debt Obligations of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q which is incorporated herein by reference, for additional details regarding the indebtedness of our Infrastructure segment.

#### Life Sciences

As of September 30, 2023 March 31, 2024, our Life Sciences segment has aggregate principal outstanding debt of \$17.4 \$20.7 million.

During 2022, R2 Technologies entered into an aggregate \$10.8 million in 18% notes with Lancer Capital, LLC ("Lancer"), a related party, an entity controlled by Avram A. Glazer, the Chairman of INNOVATE's Board of Directors. In February 2023, R2 Technologies closed on an additional aggregate \$0.9 million in 18% notes with Lancer. On March 31, 2023 January 31, 2024, R2 Technologies entered into an exchange agreement with and Lancer which terminated all prior outstanding notes and simultaneously Capital issued a new 20% note with an aggregate original principal amount of \$13.0 \$20.0 million, which is comprised of all the prior outstanding principal amounts and unpaid accrued interest of \$2.6 million, which was capitalized into the new principal balance. Future balance, with future interest payable monthly in arrears, in cash or, if not paid in cash, accrued and unpaid interest will be capitalized monthly into the principal balance. The new note also includes an exit fee payable upon maturity the earliest of the 20% note. During maturity date, the second and third quarters acceleration date of 2023, R2 Technologies closed on an additional \$2.7 million and \$1.7 million, respectively, in 20% notes with Lancer. As of September 30, 2023, the total outstanding principal amount of 20% the note, for any reason as defined in the agreement, or the date upon which any prepayment is made. The exit fee shall be equal to 10.5% of the principal if payment is made anytime from April 1, 2024 through April 30, 2024. As a result of the addition of the exit fee, the modification was determined to be an extinguishment under ASC 470-50 and the new exit fee payable to Lancer was \$17.4 million.

In addition, during the third quarter existing lender is included in Other (expense) income, net on the Condensed Consolidated Statement of 2023, R2 entered into an amendment with Lancer to extend the Operations. The maturity date of all outstanding 20% notes payable to Lancer to the earlier of November 15, 2023 new note is April 30, 2024 or within 5 business days of the date on which R2 Technologies receives an aggregate \$20.0 million from the consummation of a debt or equity financing, financing or has a change in control, as defined in the agreement, with an optional prepayment of the entire then-outstanding and unpaid principal and accrued interest upon five-days written notice to Lancer Capital. Subsequent to quarter end, effective April 30, 2024, the note was extended to May 17, 2024, and the exit fee payable was updated to 10.71% of the principal amount for repayments made after May 1, 2024.

As of March 31, 2024, the per annum interest rate on the outstanding principal balance is 20%. For the three months ended March 31, 2024 and 2023, R2 Technologies recognized interest expense of \$0.9 million and \$0.5 million, respectively, related to the contractual interest coupon on the notes with Lancer Capital. As of December 31, 2023, the related accrued interest payable not capitalized into the principal balance was \$2.4 million. As part of the agreement, all unpaid accrued interest on the new note is capitalized into the principal balance on a monthly basis. As a result, an additional \$0.7 million of unpaid accrued interest incurred subsequent to January 31, 2024, was capitalized into the principal balance during the three months ended March 31, 2024. As of March 31, 2024, all unpaid accrued interest on the new note had been capitalized into the principal balance, and there was no accrued interest payable. The accrued exit fee was \$2.2 million as of March 31, 2024, which is included in Accrued liabilities on the Condensed Consolidated Balance Sheet. Refer to Note 16. Related Parties in the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information on R2 Technologies' related party debt transactions.

#### Spectrum

As of September 30, 2023 March 31, 2024, our Spectrum segment has aggregate principal outstanding debt of \$69.7 million.

On December 30, 2022, Broadcasting entered into a Seventh Omnibus Amendment to Secured Notes which, among other things, extended the maturity date of \$52.2 million of its Senior Secured Notes, due December 30, 2022 to May 31, 2024. The effective interest rates on the notes range from 12.8% to 19.6%. Interest is capitalized and payable upon maturity of the principal. The \$52.2 million of Senior Secured Notes consisted of \$19.3 million of 8.5% Senior Secured Notes and \$32.9 million of 10.5% Senior Secured Notes. The other terms of the \$19.3 million 8.5% Senior Notes remained the same. At the time of the extension, Broadcasting had accrued interest and other fees of \$6.9 million. The interest rate on the \$32.9 million 10.5% Senior Notes was increased to 11.45% and cumulative accrued interest and exit fees of \$17.5 million were capitalized into the principal balance with both note extensions accounted for as debt modification events. All other terms were essentially the same. Total outstanding principal after the refinancing was \$69.7 million, and \$6.9 million of accrued interest and fees remain accrued, with total exit fees of \$7.6 million which were recorded as original issue discount with a corresponding liability reflected in Other Liabilities in the condensed consolidated balance sheet.

Concurrently therewith and as part of the consideration for extending the 10.5% Senior Notes in December 2022, Broadcasting amended warrants to purchase 145,825 shares of common stock of HC2 Broadcasting Holdings, Inc. common stock held by the lenders of the 10.5% Senior Notes by extending the time to exercise such to the second half of 2026 and reducing the exercise price per share (i) from \$140.00 to \$0.01 in the case of the certain of the warrants and (ii) from \$130.00 to \$0.01 in the case of the remaining warrants. The warrants have a five-year term and are exercisable at any time. The change in the fair value of the warrants was recorded as original issue discount with a corresponding impact reflected in Non-controlling interest of \$3.1 million.

On August 8, 2023, Broadcasting entered into an Eighth Amendment to Secured Notes with its lenders which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from May 31, 2024 to August 15, 2024. In exchange, Broadcasting incurred an additional exit fees of \$1.1 million which were recorded as original issue discount with a corresponding liability reflected in Other Liabilities in the Condensed Consolidated Balance Sheet.

Subsequent to quarter end, on November 9, 2023, Broadcasting entered into a Ninth Amendment to its Secured Notes with its lenders which extended the maturity date of its Senior Secured Notes aggregate principal amount of \$69.7 million, from August 15, 2024 to August 15, 2025. In exchange, INNOVATE has agreed to utilize proceeds from the sale of any of its existing operations, as allowable under the Company's current agreements and after all other required payments, for repayment of a portion of Broadcasting's Senior Secured Notes, plus an additional exit fee upon such a repayment of \$1.0 million if repayment occurs by November 9, 2024, and \$2.0 million if repayment occurs after that date. Upon payment of the exit fee, the lenders also agree to return their equity interests in HC2 Broadcasting Holdings, Inc. and its subsidiary equity interests.

Refer to Note 11. Debt Obligations to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional details regarding the indebtedness of our Infrastructure, Life Sciences and Spectrum segments.

#### Restrictive Covenants

The indenture governing the 2026 Senior Secured Notes dated February 1, 2021, by and among INNOVATE, the guarantors party thereto and U.S. Bank National Association, a national banking association, as trustee (the "Secured Indenture"), contains certain affirmative and negative covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company's subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications.

The Company is also required to comply with certain financial maintenance covenants, which are similarly subject to a number of important exceptions and qualifications. These covenants include maintenance of (1) liquidity and (2) collateral coverage.

The maintenance of liquidity covenant provides that the Company will not permit the aggregate amount of (i) all unrestricted cash and Cash Equivalents of the Company and the Subsidiary Guarantors, (ii) amounts available for drawing under revolving credit facilities and undrawn letters of credit of the Company and the Subsidiary Guarantors and (iii) dividends, distributions or payments that are immediately available to be paid to the Company by any of its Restricted Subsidiaries to be less than the Company's obligation to pay interest for the next six months on the 2026 Senior Secured Notes and all other Debt, including Convertible Series A-3 and Series A-4 Preferred Stock mandatory cash dividends or any other mandatory cash pay Series A-3 and Series A-4 Preferred Stock but excluding any obligation to pay interest on Convertible Series A-3 and Series A-4 Preferred Stock or any other mandatory cash payments on Series A-3 and Series A-4 Preferred Stock which, in each case, may be paid by accretion or in-kind in accordance with its terms of the Company and its Subsidiary Guarantors. As of September 30, 2023 March 31, 2024, the Company was in compliance with this covenant.

The maintenance of collateral coverage provides that the certain subsidiaries' Collateral Coverage Ratio (as defined in the Secured Indenture as the ratio of (i) the Loan Collateral to (ii) Consolidated Secured Debt (each as defined therein)) calculated on a pro forma basis as of the last day of each fiscal quarter may not be less than 1.50 to 1.00. As of September 30, 2023 March 31, 2024, the Company was in compliance with this covenant.

The instruments governing the Company's Series A-3 and Series A-4 Preferred Stock also limit the Company's and its subsidiaries ability to take certain actions, including, among other things, to incur additional indebtedness; issue additional Series A-3 and Series A-4 Preferred Stock; engage in transactions with affiliates; and make certain restricted payments. These limitations are subject to a number of important exceptions and qualifications.

The Company has conducted its operations in a manner that has resulted in compliance with the Secured Indenture; however, compliance with certain financial covenants for future periods may depend on the Company or one or more of the Company's subsidiaries undertaking one or more non-operational transactions, such as the management of operating cash outflows, a monetization of assets, a debt incurrence or refinancing, the raising of equity capital, or similar transactions. If the Company is unable to remain in compliance and does not make alternate arrangements, an event of default would occur under the Company's Secured Indenture which, among other remedies, could result in the outstanding obligations under the indenture becoming immediately due and payable and permitting the exercise of remedies with respect to the collateral. There is no assurance the Company will be able to complete any non-operational transaction it may undertake to maintain compliance with covenants under the Secured Indenture or, even if the Company completes any such transaction, that it will be able to maintain compliance for any subsequent period.

The UMB Term Loan and **UMB Revolving Line** with **UMB** associated with our Infrastructure segment contains customary restrictive and financial covenants related to debt levels and performance, including a Fixed Charge Coverage Ratio covenant, as defined in the agreement.

As of **September 30, 2023** **March 31, 2024**, we were in compliance with the covenants of our debt agreements.

#### **Summary of Consolidated Cash Flows**

The below table summarizes the cash provided by or used in our activities **and the amount of the respective changes between the years** (in millions):

	September 30 2023	2022	Increase / (Decrease)
Three Months Ended March 31, 2024			
Three Months Ended March 31,			
Cash used in operating activities	Cash used in operating activities	(34.7)	37.5
Cash provided by (used in) investing activities		41.2	(18.3)
Cash (used in) provided by financing activities		(30.6)	73.2
Cash used in operating activities			
Cash used in operating activities			
Cash (used in) provided by investing activities			
Cash used in financing activities			
Effects of exchange rate changes on cash, cash equivalents and restricted cash	Effects of exchange rate changes on cash, cash equivalents and restricted cash	(1.0)	(2.5)
Net decrease in cash and cash equivalents, including restricted cash	Net decrease in cash and cash equivalents, including restricted cash	\$ (25.1)	\$ (19.8)
			\$ (5.3)

#### **Operating Activities**

Cash used in operating activities was \$34.7 \$25.4 million for the nine three months ended September 30, 2023 March 31, 2024, as compared to \$72.2 \$77.0 million for the nine three months ended September 30, 2022 March 31, 2023, a decrease in cash used an improvement of \$37.5 \$51.6 million. Cash flows from operations are primarily influenced by changes in the timing of demand for services and operating margins, but can also be affected by working capital needs associated with our operations. For the nine three months ended September 30, 2023 March 31, 2024, the decrease in cash used improvement in operating activities cash flows was primarily due to a net decrease an improvement in working capital cash outflows, flows at our Infrastructure segment, primarily from changes in contract-related assets and liabilities, accounts receivable and accounts payable at our Infrastructure segment, as well as from improvements in working capital cash flows at our Non-Operating Corporate segment, driven by reductions in SG&A expenses and our Other segment, which was partially offset by had an increase unrepeatable \$4.4 million foreign tax payment related to the sale of New Saxon's 19% investment in net loss after non-cash adjustments. HMN on March 6, 2023.

#### Investing Activities

Cash provided by investing activities was \$41.2 million for the nine months ended September 30, 2023 as compared to cash used in investing activities of \$18.3 was \$3.3 million for the nine three months ended September 30, 2022, an improvement of \$59.5 million. The improvement in March 31, 2024 as compared to cash provided by investing activities of \$51.2 million for the three months ended March 31, 2023, a decrease of \$54.5 million. The decline was primarily driven by the \$54.2 million of gross cash proceeds received from the sale of New Saxon's 19% investment in HMN on March 6, 2023. Capital expenditures net of disposals for the nine three months ended September 30, 2023 March 31, 2024 were \$12.4 \$5.6 million, as compared to \$14.4 \$3.7 million, for nine months ended September 30, 2022, a net decrease an increase in cash used in PP&E activity of \$2.0 \$1.9 million primarily due to the completion purchase of land and additional software implementation by our Infrastructure segment. For the Spectrum station build-out subsequent to the comparable period in 2022. Additionally, the nine three months ended September 30, 2022 had included March 31, 2024 proceeds from the disposal of PPE were \$3.1 million and related to a \$4.5 plant closure by our Infrastructure segment, as compared to \$0.3 million loan for the three months ended March 31, 2023. Additionally, loans made by our Life Sciences segment to MediBeacon in totaled \$1.2 million for the first quarter of 2022, while three months ended March 31, 2024 as compared to none for the current period includes \$1.0 million in loans to MediBeacon in the third quarter of 2023, three months ended March 31, 2023.

#### Financing Activities

Cash used in financing activities was \$30.6 \$12.9 million for the nine three months ended September 30, 2023 March 31, 2024 as compared to cash provided by financing activities of \$73.2 \$38.0 million for the nine three months ended September 30, 2022 March 31, 2023, an increase improvement in financing cash used flows of \$103.8 \$25.1 million. The increase in cash used in financing activities improvement was primarily driven by a decrease in net proceeds from our credit facilities of \$81.7 million, primarily from a decrease in net proceeds from Infrastructure's UMB Revolving Line of \$66.7 million and a decrease in net proceeds from our Non-Operating Corporate Revolving Line segment, which received \$25.0 million in gross proceeds from the issuance of Credit of \$15.0 million. the Convertible Preferred Series C Stock in the current period related to the Rights Offering and Concurrent Private Placement. In addition, during the nine three months ended September 30, 2023 March 31, 2023, we made \$15.9 million in distributions to non-controlling interests and redeemable non-controlling interests related to the sale of New Saxon's 19% investment in HMN on March 6, 2023, and also made there was a \$7.0 reduction of \$0.9 million payment as compared to the prior period in connection with the repurchase the dividend payments from our DBMGi Series A Preferred Stock. Compared to the prior period, proceeds Stock, which was repurchased on May 9, 2023 from other debt obligations decreased by \$4.6 million, which was CGIC and subsequently eliminated in consolidation. These improvements were partially offset by a decrease an increase in principal net outflows from credit facility activity of \$13.0 million for the three months ended March 31, 2024 as compared to three months ended March 31, 2023, which resulted from an increase of \$28.0 million in payments on our Infrastructure segment's Revolving Line with UMB in the current period, partially offset by our Non-Operating Corporate segment which repaid \$15.0 million on the Corporate Revolving Line of Credit in the prior year period. In addition, for the three months ended March 31, 2024, net payments on other debt obligations increased by \$3.9 million.

#### Infrastructure

##### Cash Flows

Cash flows from operating activities are the principal source of cash used to fund DBMG's operating expenses, interest payments on debt, and capital expenditures. DBMG's short-term cash needs are primarily for working capital to support operations including receivables, inventories, and other costs incurred in performing its contracts. DBMG attempts to structure the payment arrangements under its contracts to match costs incurred under the project. To the extent it is able to bill in advance of costs incurred, DBMG generates working capital through billings in excess of costs and recognized earnings on uncompleted contracts. DBMG relies on its credit facilities to meet its working capital needs. DBMG believes that its available funds, cash generated by operating activities and funds available under its bank credit facilities will be adequate to meet all funding requirements for its operating expenses, working capital needs, interest payments on debt and capital expenditures for the foreseeable future. However, DBMG may expand its operations through future acquisitions and may require additional equity or debt financing.

DBMG is required to make monthly or quarterly interest payments on all of its debt. Based upon the September 30, 2023 March 31, 2024 debt balance, DBMG anticipates that its interest payments will be approximately \$3.3 million \$2.0 million for the fourth each quarter of 2023, 2024.

##### Off- Balance Sheet Arrangements

We may enter into certain off-balance sheet arrangements in the ordinary course of business. Our off-balance sheet transactions may include, but are not limited to: leases that have not yet commenced, short-term leases, liabilities associated with non-cancelable operating leases with durations of less than twelve months, letter of credit obligations, surety, performance or payment bonds entered into in the normal course of business, and liabilities associated with multi-employer pension plans. Refer to Note 9. Leases, and Note 13. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q which is incorporated herein by reference, for additional information on leases and letters of credit and performance and/or payment bonds, respectively.

##### New Accounting Pronouncements

For information on new accounting pronouncements refer to Note 2. Summary of Significant Accounting Policies of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information.

##### Critical Accounting Estimates

There have been no material changes in the Company's critical accounting policies during the period ended September 30, 2023 March 31, 2024. For information about critical accounting policies and estimates, refer to "Critical Accounting Estimates" under Item 7 of our 2022 2023 Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which was filed with the SEC on March 14, 2023 March 6, 2024.

##### Related Party Transactions

For a discussion of our Related Party Transactions, refer to Note 16. Related Parties of the unaudited to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for additional information. reference.

#### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates a number of "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on current expectations, and are not strictly historical statements. In some cases, you can identify forward-looking statements by terminology such as "if," "may," "should," "believe," "anticipate," "future," "forward," "potential," "estimate," "opportunity," "goal," "objective," "growth," "outcome," "could," "expect," "intend," "plan," "strategy," "provide," "commitment," "result," "seek," "pursue," "ongoing," "include" or in the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties and are not guarantees of performance, results, or the creation of stockholder value, although they are based on our current plans or assessments which we believe to be reasonable as of the date hereof.

Factors that could cause actual results, events and developments to differ include, without limitation: the ability of our subsidiaries (including, target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, our and our subsidiaries' ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with INNOVATE or the applicable subsidiary of INNOVATE, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, changes in regulations and taxes.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC March 14, 2023 on March 6, 2024 and the documents incorporated herein by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. You should also understand that many factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating our business and that of our subsidiaries.

#### INNOVATE Corp. and Subsidiaries

Our actual results or other outcomes may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- the recent passing in 2023 of Mr. Barr, our former Chief Executive Officer, President and Director and the successful transition of his management responsibilities;
- our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;
- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we may incur;
- the impact of covenants in the Indenture governing INNOVATE's 2026 Senior Secured Notes, 2026 Convertible Notes, CGIC Unsecured Note and Revolving Line of Credit, Agreement, the Certificates of Designation governing INNOVATE's Series A-3 and Series A-4 Preferred Stock and all other subsidiary debt obligations as summarized in Note 13, 11. Debt Obligations to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the SEC March 14, 2023 March 6, 2024 and future financing agreements on our ability to operate our business and finance our pursuit of acquisition opportunities;
- the effect of the novel coronavirus ("COVID-19") pandemic and related governmental responses on our business, financial condition and results of operations;
- our possible inability to generate sufficient liquidity, margins, earnings per share, cash flow and working capital from our operating segments;
- our dependence on certain key personnel;
- bank failures or other similar events that could adversely affect our and our customers' and vendors' liquidity and financial performance;
- our possible inability to hire and retain qualified executive management, sales, technical and other personnel;
- the potential for, and our ability to, remediate future material weaknesses in our internal controls over financial reporting;
- the impact of recent supply chain disruptions, labor shortages and increases in overall price levels, including in transportation costs;
- the impact of a higher interest rate environment;
- the effects related to or resulting from military actions in the Middle East, including Israel and the Gaza Strip, and Russia's military action in Ukraine, including the imposition of additional sanctions and export controls, as well as the broader impact to financial markets and the global macroeconomic and geopolitical environment;
- increased competition in the markets in which our operating segments conduct their businesses;
- limitations on our ability to successfully identify any strategic acquisitions or business opportunities and to compete for these opportunities with others who have greater resources;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the impact of expending significant resources in considering acquisition targets or business opportunities that are not consummated;
- our expectations and timing with respect to our ordinary course acquisition activity and whether such acquisitions are accretive or dilutive to stockholders;
- the effect any interests our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- uncertain global economic conditions in the markets in which our operating segments conduct their businesses;
- the impact of catastrophic events, including natural disasters, pandemic illness and the outbreak of war, or acts of terrorism;
- potential impacts on our business resulting from climate change, greenhouse gas regulations, and the impact of climate change-related changes in the frequency and severity of weather patterns;
- the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- our ability to remain in compliance with the listing standards of the New York Stock Exchange;
- the ability of our operating segments to attract and retain customers;

- our expectations regarding the timing, extent and effectiveness of our cost reduction initiatives and management's ability to moderate or control discretionary spending;
- management's plans, goals, forecasts, expectations, guidance, objectives, strategies and timing for future operations, acquisitions, synergies, asset dispositions, fixed asset and goodwill impairment charges, tax and withholding expense, selling, general and administrative expenses, product plans, performance and results;
- management's assessment of market factors and competitive developments, including pricing actions and regulatory rulings;
- our expectations and timing with respect to any strategic dispositions and sales of our operating subsidiaries, or businesses, including the shut-down of our Network business by our Spectrum segment, that we may make in the future and the effect of any such dispositions or sales on our results of operations;
- the possibility of indemnification claims arising out of divestitures of businesses; and
- our possible inability to raise additional capital when needed or refinance our existing debt, on attractive terms, or at all.

#### ***Infrastructure / DBM Global Inc.***

Our actual results or other outcomes of DBMG, and, thus, our Infrastructure segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- adverse impacts from weather affecting DBMG's performance and timeliness of completion of projects, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- **our ability to maintain efficient staffing and productivity as well as delays and cancellations as a result of the COVID-19 pandemic;**
- cost overruns on fixed-price or similar contracts or failure to receive timely or proper payments on cost-reimbursable contracts, whether as a result of improper estimates, performance, disputes, or otherwise;
- uncertain timing and funding of new contract awards, as well as project cancellations;
- potential impediments and limitations on our ability to complete ordinary course acquisitions in anticipated time frames or at all;
- changes in the costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- the impact of inflationary pressures;
- adverse outcomes of pending claims or litigation or the possibility of new claims or litigation, and the potential effect of such claims or litigation on DBMG's business, financial condition, results of operations or cash flow;
- risks associated with labor productivity, including performance of subcontractors that DBMG hires to complete projects;
- its ability to realize cost savings from expected performance of contracts, whether as a result of improper estimates, performance, or otherwise;
- its ability to settle or negotiate unapproved change orders and claims;
- fluctuating revenue resulting from a number of factors, including the cyclical nature of the individual markets in which our customers operate;
- our possible inability to raise additional capital when needed or refinance our existing debt, on attractive terms, or at all; and
- lack of necessary liquidity to provide bid, performance, advance payment and retention bonds, guarantees, or letters of credit securing DBMG's obligations under bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts.

#### ***Life Sciences / Pansend Life Sciences, LLC***

Our actual results or other outcomes of Pansend Life Sciences, LLC, and, thus, our Life Sciences segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Life Sciences segment's ability to invest in development stage companies;
- our Life Sciences segment's ability to develop products and treatments related to its portfolio companies;
- medical advances in healthcare and biotechnology;
- governmental regulation in the healthcare industry; and
- our Life Sciences segment's possible inability to raise additional capital when needed or refinance its existing debt, on attractive terms, or at all.

#### ***Spectrum / HC2 Broadcasting Holdings Inc.***

Our actual results or other outcomes of Broadcasting, and, thus, our Spectrum segment, may differ from those expressed or implied by forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- our Spectrum segment's ability to operate in highly competitive markets and maintain market share;
- our Spectrum segment's ability to effectively implement its business strategy or be successful in the operation of its business;
- our Spectrum segment's possible inability to raise additional capital when needed or refinance its existing debt, on attractive terms, or at all;
- new and growing sources of competition in the broadcasting industry; and
- FCC regulation of the television broadcasting industry.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this document. Neither we nor any of our subsidiaries undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this document or to reflect actual outcomes, except as required by applicable law.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

Our management evaluated, with the participation of our **Interim** Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act") as of the end of the period covered by this report. Based on this evaluation, our **Interim** Chief Executive Officer and Chief Financial Officer have concluded that, as of **September 30, 2023** **March 31, 2024**, our disclosure controls and procedures were effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the quarter ended **September 30, 2023** **March 31, 2024**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **PART II - OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

The Company 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 the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's Condensed Consolidated Financial Statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Condensed Consolidated Financial Statements. The Company records a liability in its Condensed Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in a liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss to the extent necessary for the Condensed Consolidated Financial Statements not to be misleading. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its Condensed Consolidated Financial Statements. Refer to Note 13. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference for additional information.

#### **ITEM 1A. RISK FACTORS**

**Other than as set forth below, there** **There** have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Fiscal Year **2022** **2023** Form 10-K, which was filed with the SEC on **March 14, 2023** **March 6, 2024**. See "Risk Factors" in Item 1A of Part I of such Fiscal Year **2022** **2023** Form 10-K for a complete description of the material risks we face.

##### ***Bank failures or other similar events could adversely affect our and our customers' and vendors' liquidity and financial performance.***

We maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks, in excess of FDIC insurance limits. Bank failures or other similar events could disrupt our access to bank deposits or otherwise adversely impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. or applicable foreign government in the event of a failure or liquidity crisis.

Our customers and vendors may suffer similar adverse effects from a bank failure. Any resulting adverse effects to our customers could reduce the demand for our services or affect our allowance for doubtful accounts and collectability of accounts receivable. Adverse effects to our vendors could affect our ability to receive the resources and supplies we need for our business. These factors could materially affect our future financial results.

In addition, instability, liquidity constraints or other distress in the financial markets, including the effects of bank failures or similar adverse developments could impair the ability of one or more of the banks participating in our current credit facilities from honoring their commitments. This could have an adverse effect on our business if we were not able to replace those commitments or to locate other sources of liquidity on acceptable terms.

##### ***Loss of our key management or other personnel, including the recent unexpected passing of our Chief Executive Officer, President and Director, could adversely impact our business.***

We believe that the future success of INNOVATE and its operating subsidiaries is largely dependent and will depend to a significant extent upon the performance, skills, experience and efforts of our senior management and certain other key personnel. If, for any reason, one or more senior executives or key personnel were not to remain active in our Company, our results of operations could be adversely affected.

On July 23, 2023, we announced the unexpected passing of Wayne Barr, our President, Chief Executive Officer and Director. Mr. Barr had served as a director of INNOVATE since January 2014 and as CEO since November 2020. Following Mr. Barr's death, on July 25, 2023, Paul K. Voigt was named Interim Chief Executive Officer of the Company. Mr. Voigt has served as Senior Managing Director of Investments at Lancer Capital since 2019. From 2014 to 2018, Mr. Voigt served as Senior Managing Director of Investments of the Company and was involved with sourcing deals and capital raising for the Company.

The executive management teams that lead our subsidiaries are also highly experienced and possess extensive skills in their relevant industries. The ability to retain key personnel is important to our success and future growth. Competition for these professionals can be intense, and we may not be able to retain and motivate our existing officers and senior employees, and continue to compensate such individuals competitively. The unexpected loss of the services of one or more of these individuals, whether due to competition, distraction caused by personal matters or otherwise, could have a detrimental effect on the financial condition or results of operations of our businesses, and could hinder the ability of such businesses to effectively compete in the various industries in which we operate.

#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

##### **Issuer Purchases of Equity Securities**

###### ***Equity Award Share Withholding***

Shares of common stock withheld as payment of withholding taxes in connection with the vesting or exercise of equity awards are treated as common stock repurchases. Those withheld shares of common stock are not considered common stock repurchases under an authorized common stock repurchase plan. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, we there

were no shares withheld 59,732 shares at an average price per share of \$2.94 as payment of withholding taxes in connection with the vesting of employee equity awards. There

#### Unregistered Sales of Equity Securities

##### Series C Private Placement

On March 28, 2024, the "Company issued and sold 25,000 shares of its Series C Non-Voting Participating Convertible Preferred Stock, par value \$0.001 per share ("Series C Preferred Stock") for the aggregate purchase price of \$25.0 million to Lancer Capital LLC ("Lancer Capital"), an investment fund led by Avram A. Glazer, the Chairman of the Company's board of directors, pursuant to that Investment Agreement dated as of March 5, 2024 (the "Investment Agreement") by and between the Company and Lancer Capital. The related Rights Offering and the Company's entry into the Investment Agreement was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission on March 6, 2024.

Subsequent to quarter end, on April 24, 2024, in connection with the closing of the Rights Offering, the Company sold approximately 6,286 additional shares of Series C Preferred Stock to Lancer Capital in consideration of Lancer Capital funding \$6.3 million pursuant to the Investment Agreement.

These issuances and sales were no consummated without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements of the Securities Act under Section 4(a)(2) of the Securities Act. The Company is basing such reliance upon representations made by Lancer Capital, including, but not limited to, representations as to Lancer Capital's status as an "accredited investor" (as defined in Rule 501(a) under the Securities Act) and Lancer Capital's investment intent. The Series C Preferred Stock was not offered or sold by any form of general solicitation or general advertising (as such terms are used in Rule 502 under the Securities Act). The Series C Preferred Stock and the shares withheld of common stock issuable upon conversion thereof may not be re-offered or sold in the United States absent an effective registration statement or an exemption from the registration requirements under applicable federal and state securities laws.

##### Use of Proceeds

INNOVATE expects to use the net proceeds from the Series C Private Placement for taxes during general corporate purposes, including debt service and for working capital. As a result of the three months ended September 30, 2023, closing of the Rights Offering and Concurrent Private Placement, a mandatory prepayment was required on the CGIC Unsecured Note, in the amount of the greater of \$3.0 million or 12.5% of the net proceeds. Subsequent to quarter end, on April 26, 2024, INNOVATE redeemed \$4.1 million of the CGIC Unsecured Note.

#### ITEM 6. EXHIBITS

##### (a) Exhibits

Please note that the agreements included as exhibits to this Form 10-Q are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about INNOVATE Corp. or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that have been made solely for the benefit of the other parties to the applicable agreement and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Description
4.1	<a href="#">Certificate of Designations of Series C Non-Voting Participating Convertible Preferred Stock of INNOVATE Corp. dated March 28, 2024 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on March 28, 2024 (File No. 001-35210))</a>
10.1	<a href="#">Investment Agreement dated as of March 5, 2024 by and between INNOVATE Corp. and Lancer Capital LLC (incorporated by reference to Exhibit 10.70 to the Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-35210))</a>
10.2	<a href="#">Registration Rights Agreement dated as of March 5, 2024 by and between INNOVATE Corp. and Lancer Capital LLC (incorporated by reference to Exhibit 10.71 to the Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-35210))</a>
10.3	<a href="#">Amended and Restated Senior Secured Promissory Note and amendment dated as of July 14, 2023 January 31, 2024 by and between R2 Technologies, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.810.72 to the Quarterly Annual Report on Form 10-Q 10-K filed by INNOVATE on August 9, 2023) March 6, 2024 (File No. 001-35210))</a>
10.2 10.4	<a href="#">Amendment Amendment of Senior Secured Promissory Notes dated Note dated effective as of July 28, 2023 April 30, 2024 by and between R2 Technologies, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q filed by INNOVATE on August 9, 2023) herewith</a>
10.3	<a href="#">Senior Secured Promissory Note dated as of July 28, 2023 by and between R2 Technologies, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-Q filed by INNOVATE on August 9, 2023)</a>
10.4	<a href="#">Eighth Omnibus Amendment to Secured Notes, dated as of August 8, 2023, by and among, HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network Inc., DTV America Corporation, HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., MSD PCOF Partners XVIII, LLC, MassMutual Ascend Life Insurance Company and Great American Insurance Company (incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q filed by INNOVATE on August 9, 2023)</a>
10.5	<a href="#">Financial Support Commitment from Lancer Capital LLC dated August 11, 2023 (incorporated by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q filed by INNOVATE on August 9, 2023)</a>
10.6	<a href="#">Senior Secured Promissory Note dated as of August 15, 2023 by and between R2 Technologies, Inc. and Lancer Capital LLC (filed herewith)</a>
10.7	<a href="#">Amendment of Senior Secured Promissory Notes dated as of August 15, 2023 by and between R2 Technologies, Inc. and Lancer Capital LLC (filed herewith)</a>
10.8^	<a href="#">Separation Agreement dated as of September 21, 2023 by and between Suzi Herbst and INNOVATE Corp. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by INNOVATE on September 21, 2023)</a>
10.9^	<a href="#">Employment Agreement dated as of October 6, 2023 by and between Paul K. Voigt and INNOVATE Corp. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by INNOVATE on October 11, 2023)</a>
10.10	<a href="#">Amended and Restated Financial Support Commitment Letter from Lancer Capital LLC dated November 7, 2023 (filed herewith)</a>
10.11	<a href="#">Ninth Omnibus Amendment to Secured Notes, dated as of November 9, 2023, by and among, HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network Inc., DTV America Corporation, HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., MSD PCOF Partners XVIII, LLC, MassMutual Ascend Life Insurance Company and Great American Insurance Company (filed herewith)</a>
10.12	<a href="#">Side Letter to Ninth Omnibus Amendment to Secured Notes, dated as of November 9, 2023, by and among, HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network, Inc., DTV America Corporation, HC2 Broadcasting Intermediate Holdings, Inc., HC2 Broadcasting Holdings, Inc., and MassMutual Life Insurance Company and Great American Insurance Company (filed herewith)</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).</a>
32.1*	<a href="#">Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (furnished herewith).</a>
101	The following materials from the registrant's Quarterly Report on Form 10-Q for the three fiscal periods ended March 31, 2024 and nine months ended September 30, 2023, 2023, formatted in extensible business reporting language (XBRL): (i) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iii) Condensed Consolidated Balance Sheets at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (v) Condensed Consolidated Statements of Cash Flows for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and (vi) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023 March 31, 2024, formatted in Inline XBRL (included as Exhibit 101).

\* These certifications are being "furnished" and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

^ Indicates management contract or compensatory plan or arrangement.

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INNOVATE Corp.

By: /S/ MICHAEL J. SENA

Michael J. Sena  
Chief Financial Officer  
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Date: November 9, 2023 May 7, 2024

5956

Exhibit 10.6

### SENIOR SECURED PROMISSORY NOTE

\$562,500.00 August 15, 2023

San Ramon, California

For value received, R2 Technologies, Inc., a Delaware corporation (the "Company"), promises to pay to Lancer Capital LLC (the "Holder"), or its permitted assigns, in lawful money of the United States of America the principal sum of \$562,500.00. Interest shall accrue from the date of this Secured Promissory Note (this "Note") on the unpaid principal amount at a rate equal to 20.00% simple interest per annum (or 22.00% simple interest per annum if provided by Section 3). Any capitalized terms not defined herein shall have the meaning as set forth in that certain Senior Secured Promissory Note Purchase Agreement, dated as of July 13, 2022 by and among the Company and the Holder (as may be amended from time to time, the "Purchase Agreement").

This Note is subject to the following terms and conditions:

1. **Repayment.** The entire then-outstanding and unpaid principal amount of this Note, together with any accrued but unpaid interest under this Note (the "Outstanding Amount"), shall be due and payable on the earlier to occur of (i) August 15, 2023 or (ii) within five (5) business days after the date on which the Company receives an aggregate of \$20,000,000 from the consummation of one or more bona fide debt or equity financings, other capital investments, or capital contributions, whether from new or existing equity holders or debt holders (such applicable date, the "Maturity Date"). The Notes shall rank pari passu in right of payment with respect to each other Note, and all payments to each of the Holders under the Notes shall be made pro rata among the Holders based upon the aggregate unpaid principal amount of the Notes outstanding immediately prior to any such payment. All payments shall be made in lawful money of the United States of America at such place as the Holder hereof may from time to time designate in writing to the Company. Interest shall accrue on this Note but shall not be due and payable until the Holder's written request for repayment after the Maturity Date.

2. **Security; Guarantee.** The parties agree that the payment obligations of the Company arising under this Note are secured pursuant to the terms of (i) that certain Security Agreement dated as of July 13, 2022 by and between the Company and Holder (as amended from time to time, the "Security Agreement") and (ii) that certain Intellectual Property Security Agreement, dated as of July 13, 2022, by the Company in favor of the Holder (as amended from time to time, the "IP Security Agreement"). Reference hereby is made to the Security Agreement and the IP Security Agreement for a description of the nature and extent of the collateral serving as security for this Note and the rights of the Holder with respect to such security.

3. **Events of Default.** Interest shall accrue on the unpaid principal amount of this Note at a rate equal to 22.00% simple interest per annum, for the period beginning with the date of occurrence of an Event of Default (as defined below) and continuing for so long as such Event of Default is continuing. The Company shall immediately notify the Holder in writing upon becoming aware of the occurrence of any Event of Default; provided that the provision of such notice shall not effect or impair the Holder's rights hereunder. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

- (a) the Company shall fail to pay Holder in full the principal amount and all accrued and unpaid interest on this Note on the Maturity Date;
- (b) the occurrence of an event of default pursuant to any Senior Indebtedness (as defined below), subject to applicable notice and cure periods;
- (c) the Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its or any of its creditors or (iv) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any

bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it;

(d) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be challenged, dismissed or discharged within ninety (90) days of commencement;

(e) the dissolution or winding up of the Company; or

(f) the appointment of a receiver or trustee to take possession of any property or assets of the Company.

4. **Subordination.** The indebtedness evidenced by this Note is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all of the Company's Senior Indebtedness (as defined below).

(a) **Insolvency Proceedings.** If there shall occur any receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization, or arrangements with creditors (whether or not pursuant to bankruptcy or other insolvency laws), sale of all or substantially all of the assets, dissolution, liquidation, or any other marshaling of the assets and liabilities of the Company, no amount shall be paid by the Company in respect of the principal of, interest on or other amounts due with respect to this Note at the time outstanding, unless and until the principal of and interest on the Senior Indebtedness then outstanding shall be paid in full.

(b) **Subrogation.** Subject to the payment in full of all Senior Indebtedness, the holder of this Note shall be subrogated to the rights of the holder(s) of such Senior Indebtedness (to the extent of the payments or distributions made to the holder(s) of such Senior Indebtedness pursuant to the provisions of this Section 4) to receive payments and distributions of assets of the Company applicable to the Senior Indebtedness. No such payments or distributions applicable to the Senior Indebtedness shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the Holder, be deemed to be a payment by the Company to or on account of this Note; and for purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness to which the Holder would be entitled except for the provisions of this Section 4 shall, as between the Company and its creditors, other than the holders of Senior Indebtedness and the Holder, be deemed to be a payment by the Company to or on account of the Senior Indebtedness. Notwithstanding the foregoing, the Company represents and warrants to the Holder that (a) the terms of the Senior Indebtedness allow for the transactions contemplated by this Note and the repayment in full by the Company of its obligations pursuant to this Note on the Maturity Date without any default thereunder, and (b) no consent is required from any third party, including any holder of the Senior Indebtedness, to enter into the transaction contemplated by this Note or to pay in full the obligations of the Company pursuant to this Note, which consent has not been obtained prior to the date hereof.

(c) **No Impairment.** Nothing contained in this Section 4 shall impair, as between the Company and the Holder, the obligation of the Company, subject to the terms and conditions hereof, to pay to the Holder the principal hereof and interest hereon as and when the same become due and payable, or shall prevent the Holder of this Note, upon default hereunder, from exercising all rights, powers and remedies otherwise provided herein or by applicable law.

(d) **Reliance of the Holders of Senior Indebtedness.** The Holder, by its acceptance hereof, shall be deemed to acknowledge and agree that the foregoing subordination provisions are, and are intended to be, an inducement to and a consideration of each holder of Senior Indebtedness, whether

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Such Senior Indebtedness was created or acquired before or after the creation of the indebtedness evidenced by this Note, and each such holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and holding, or in continuing to hold, such Senior Indebtedness.

(e) **Senior Indebtedness.** For purposes of this Note, "Senior Indebtedness" shall mean, unless expressly subordinated to or made on a parity with the amounts due under this Note, the principal of (and premium, if any), unpaid interest on and amounts reimbursed, fees, expenses, costs of enforcement and other amounts due in connection with, (i) indebtedness of the Company, or with respect to which the Company is a guarantor, to banks, commercial finance lenders, insurance companies, leasing or equipment financing institutions or other lending institutions regularly engaged in the business of lending money (excluding venture capital, investment banking or similar institutions which from time to time engage in lending activities but which are primarily engaged in investments in equity securities), which is for money borrowed, or purchase or leasing of equipment in the case of lease or other equipment financing, by the Company, whether or not secured, and (ii) any debentures, notes or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor, in each case, to the extent in existence and outstanding as of the date of the Initial Closing (as defined in the Purchase Agreement).

5. **Expenses.** The Company agrees to pay all costs, expenses and reasonable attorneys' fees at any time paid or incurred by Holder to collect the indebtedness evidenced by this Note.

6. **Waiver.** No failure on the part of Holder to exercise, and no delay in exercising, any of the rights provided for herein shall operate as a waiver thereof, nor shall any single or partial exercise by Holder of any right preclude any other or future exercise thereof or the exercise of any other right. The Company waives presentment, protest or notice of dishonor and demand for payment and notice of default for non-payment.

7. **Transfer; Successors and Assigns.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Notwithstanding the foregoing, the Holder may not assign, pledge, or otherwise transfer this Note without the prior written consent of the Company, except for transfers to an entity controlled by or under common control with the Holder. Subject to the preceding sentence, this Note may be transferred only upon surrender of the original Note for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, a new note for the same principal amount and interest will be issued to, and registered in the name of, the transferee. Interest and principal are payable only to the registered holder of this Note.

8. **Governing Law.** This Note and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

9. **Notices.** All notices and other communications given or made pursuant to this Note shall be in writing and shall be deemed effectively given upon the earlier of actual receipt, or (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to (i) to the Company at its corporate headquarters, to the Holder at the address as set forth on the signature pages to the Purchase Agreement, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this subsection.

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10. **Amendments and Waivers.** Any term of this Note may be amended or waived only with the written consent of the Company and the Holder.

11. **Stockholders, Officers and Directors Not Liable.** In no event shall any stockholder, officer or director of the Company be liable for any amounts due or payable pursuant to this Note.

12. **Usury.** If any interest is paid on this Note which is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal of this Note.

*Remainder of Page Intentionally Left Blank.*

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The Company has caused this Secured Promissory Note to be issued as of the date first written above.

COMPANY

R2 TECHNOLOGIES, INC.

By: /s/ Tim Holt  
Name: Timothy Holt  
Title: Chief Executive Officer

AGREED AND ACCEPTED

LANCER CAPITAL LLC

By: Avram Glazer Irrevocable Exempt Trust,  
its Sole Member

By: /s/ Avram Glazer  
Name: Avram Glazer  
Title: Trustee

Exhibit 10.7 10.4

**AMENDMENT OF SENIOR SECURED PROMISSORY NOTES NOTE**

This Amendment of Senior Secured Promissory Notes Note (this "Amendment"), dated effective as of August 15, 2023 April 30, 2024 (the "Effective Date"), is entered into by and between R2 Technologies, Inc., a Delaware corporation (the "Company"), and Lancer Capital LLC ("Investor"). Capitalized terms used herein, but not otherwise defined herein, shall have the meaning assigned to them in the Notes Note (as defined below).

**RECITALS**

WHEREAS, the Company and Investor are parties to those that certain Senior Secured Promissory Notes, Note, dated March 31, 2023 (in January 31, 2024, in the principal amount of \$13,028,194.90), April 28, 2023 (in the principal amount of \$425,000.00), May 12, 2023 (in the principal amount of \$525,000.00), May 31, 2023 (in the principal amount of \$650,000.00), June 14, 2023 (in the principal amount of \$562,500.00), June 28, 2023 (in the principal amount of \$472,500.00), July 14, 2023 (in the principal amount of \$562,500.00), July 28, 2023 (in the principal amount of \$562,500.00), and August 15, 2023 (in the principal amount of \$562,500.00) (collectively, the \$20,000,000.00 (the "Notes Note")); and

WHEREAS, the Company and the undersigned Investors desire to amend the Notes Note to extend the Maturity Date as provided herein.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing and for other valuable consideration the receipt of which is hereby acknowledged, the Company and Investor hereby amend each of the Notes in the following manner: agree as follows:

1. Section 1 of the Notes Maturity Date. Section 11(c)(i) of the Notes Note is hereby deleted in its entirety and replaced with the following:

**1. Repayment.** The entire then-outstanding and unpaid principal amount of this Note, together with any accrued but unpaid interest under this Note (the "Outstanding Amount"), shall be due and payable on the earlier amended to occur of (i) November 15, 2023, or (ii) within five (5) business days after the date on which the Company receives an aggregate of \$20,000,000 or more from the consummation of one or more bona fide debt or equity financings, other capital investments, or capital contributions, whether from new or existing equity holders or debt holders, or (iii) concurrently with the closing of the sale of substantially all of the assets of the Company or any transaction resulting in a Change of Control (as defined below) of the Company (such applicable date, the "Maturity Date" read "May 17, 2024."). The Notes shall rank pari passu in right of payment with respect to each other Note, and all payments to each of the Holders under the Notes shall be made pro rata among the Holders based upon the aggregate unpaid principal amount of the Notes outstanding immediately prior to any such payment. All payments shall be made in lawful money of the United States of America at such place as the Holder hereof may from time to time designate in writing to the Company. Interest shall accrue on this Note but shall not be due and payable until the Holder's written request for repayment after the Maturity Date. For purposes hereof, a "Change of Control" means (a) any person or group of persons within the meaning of §13(d)(3) of the Securities Exchange Act of 1934 becomes the beneficial owner, directly or indirectly, of a majority of the outstanding equity interests of the Company, (b) INNOVATE Corp. shall cease to own and control, directly or indirectly, a majority of the equity interests or a majority of the voting power of the Company."

2. **Schedule A.** Schedule A of the Note is hereby amended to provide that if a principal payment is made on or after May 1, 2024, then an Exit Fee equal to the principal repaid times 10.71% shall be payable.

3. **Effect on Notes Note.** The term "Notes" "Note" as used in the Notes Note shall at all times refer to, collectively, the Notes Note as amended by this Amendment. Except as amended hereby, the Notes Note shall remain in full force and effect.

3.4. **Expenses.** The Company agrees to pay all reasonable attorneys' fees incurred by Investor in connection with this Amendment.

4.5. **Further Instruments.** The undersigned parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Amendment.

5.6. **Applicable Law; Entire Agreement; Amendments.** This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware as it applies to agreements between Delaware residents, entered into and to be performed entirely within Delaware. This Amendment constitutes the entire agreement of the parties with respect to the subject matter hereof superseding all prior written or oral agreements, and no amendment or addition hereto shall be deemed effective unless agreed to in writing by the parties hereto.

6.7. **Counterparts; Electronic Delivery.** This Amendment may be executed and delivered electronically and in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

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The parties have executed this Amendment of Senior Secured Promissory Notes Note as of the date first written above.

COMPANY

R2 TECHNOLOGIES, INC.

By: /s/ *Timothy Tim Holt*

Name: Timothy Holt

Title: Chief Executive Officer

LANCER CAPITAL LLC

By: Avram Glazer Irrevocable Exempt Trust,  
its Sole Member

By: /s/ *Avram Glazer*

Name: Avram Glazer

Title: Trustee

Exhibit 10.10

**Lancer Capital, LLC  
222 Lakeview Avenue, Suite 1660**

**West Palm Beach, FL 33401**

November 7, 2023

INNOVATE Corp.  
222 Lakeview Ave., Suite 1660  
West Palm Beach  
FL 33401

**Re: Financial Support Commitment**

To Whom It May Concern:

This letter sets forth the terms and conditions upon which Lancer Capital LLC, a Delaware limited liability company ("Lancer") agrees to provide financial support to INNOVATE Corp., a Delaware corporation (the "Company").

This letter replaces and supersedes that certain letter regarding Financial Support Commitment, dated August 8, 2023, issued from Lancer to the Company (the "Prior Letter") which Prior Letter is of no further force nor effect.

Lancer unconditionally and irrevocably, until the Termination Date (as defined below), agrees to provide financial support to the Company as follows:

1. If the Company is unable to meet its payment or covenant obligations with respect to its funded debt during the term of this letter agreement, Lancer will provide the necessary financial support to the Company (each, a "Contribution" and together, the "Contributions") to ensure the Company's ability to meet such obligations as a going concern through the Termination Date up to a total of US\$35,000,000.00 for all Contributions in the aggregate (the "Maximum Commitment Amount"), subject to adjustment as provided below. A Contribution may take the form of a loan, equity investment, deferral of obligations, or backstop commitment with respect to a capital raise.

2. Each Contribution will be made within five (5) days following a written request to Lancer from the Company, which request will contain the required Contribution amount and a description of the Company's payment or covenant obligation necessitating such Contribution.
3. The Company shall use commercially reasonable efforts to obtain funding from other sources prior to requesting a Contribution.
4. The Maximum Commitment Amount shall be reduced on a dollar for dollar basis by the gross proceeds received by the Company less all transaction fees and expenses from any issuance of equity, debt, or other securities, of the Company (a "Sale Transaction") not in the ordinary course of business.

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5. The obligations of Lancer to provide the financial support provided herein shall terminate on the earlier to occur of (a) November 30, 2024, or (b) the date on which the Company closes any Sale Transaction or series of Sale Transactions resulting in aggregate net proceeds to the Company of greater than or equal to US\$35,000,000.00 (the "Termination Date").

This letter is intended to and shall qualify as an undrawn letter of credit for purposes of the minimum liquidity covenants under Section 4.03 of that certain Indenture between the Company and U.S. Bank National Association as Trustee and Collateral Trustee, dated as of February 1, 2021.

The Company shall be responsible for payment of the costs and expenses of Lancer with respect to this letter agreement and the making of any Contributions hereunder, including without limitation reasonable attorneys' fees.

This letter agreement shall be governed by the laws of the State of Delaware. This letter agreement is intended solely for the benefit of the parties hereto, and is not for the benefit of, nor may any provision hereof be enforced by, any other person, including without limitation or equity holder or creditor of the Company.

The undersigned, having the financial wherewithal to enter into this irrevocable commitment, makes the above commitment to the Company.

**Lancer Capital LLC**

By: /s/ Avram Glazer  
Avram Glazer  
President

**Exhibit 10.11**

**NINTH OMNIBUS AMENDMENT TO SECURED NOTES AND LIMITED CONSENT TO MSD SECURED NOTE AND INTERCREDITOR AGREEMENT**

This **NINTH OMNIBUS AMENDMENT TO SECURED NOTES AND LIMITED CONSENT TO MSD SECURED NOTE AND INTERCREDITOR AGREEMENT** (this "Amendment"), is entered into as of November 9, 2023, by and among **HC2 STATION GROUP, INC., HC2 BROADCASTING**

**INC., HC2 NETWORK INC., DTV AMERICA CORPORATION** (collectively, the **"Subsidiary Borrowers"**), **HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.** (the **"Intermediate Parent"**), **HC2 BROADCASTING HOLDINGS INC.** (the **"Parent Borrower"** and, together with the Intermediate Parent and the Subsidiary Borrowers, the **"Borrowers"** and each, a **"Borrower"**), **MSD PCOF PARTNERS XVIII, LLC** ("MSD"), **MASSMUTUAL ASCEND LIFE INSURANCE COMPANY** ("MassMutual"), and **GREAT AMERICAN INSURANCE COMPANY** ("GAIC", and, together with MassMutual, "Great American", and Great American, together with MSD, the **"Lenders"**).

**WITNESSETH:**

**WHEREAS**, pursuant to that certain Secured Note dated as of October 24, 2019 (as amended by the Consent and First Amendment to Secured Note dated December 19, 2019 and the First Omnibus Amendment to Secured Notes and Intercreditor Agreement dated February 21, 2020, the Consent dated August 17, 2020, the Second Omnibus Amendment to Secured Notes, dated August 31, 2020, the Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020, the Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, dated November 25, 2020, the Consent to Note Assignments and DTV Note Extensions Under Secured Notes and Intercreditor Agreement dated August 30, 2021, Fifth Omnibus Amendment to Secured Notes, Consent and Second Amendment to Asset Sale Under Secured Notes and Intercreditor Agreement, dated as of October 21, 2021, Sixth Omnibus Amendment to Secured Notes, dated as of November 28, 2022, Seventh Omnibus Amendment to Secured Notes, dated as of December 30, 2022, Eighth Omnibus Amendment to Secured Notes, dated as of August 8, 2023, and as may be further amended, restated, supplemented or otherwise modified from time to time, the **"MSD Secured Note"**), by and among the Borrowers and MSD, MSD made a Loan to the Borrowers pursuant to the terms and conditions thereof;

**WHEREAS**, pursuant to that certain Amended and Restated Secured Note dated as of October 24, 2019 (as amended by the First Omnibus Amendment to Secured Notes and Intercreditor Agreement, the Consent dated August 17, 2020, the Second Omnibus Amendment to Secured Notes, dated August 31, 2020, the Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020, the Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, dated November 25, 2020, the Consent to Note Assignments and DTV Note Extensions Under Secured Notes and Intercreditor Agreement dated August 30, 2021, the Fifth Omnibus Amendment to Secured Notes, Consent and Second Amendment to Asset Sale Under Secured Notes and Intercreditor Agreement, dated as of October 21, 2021, Sixth Omnibus Amendment to Secured Notes, dated as of November 28, 2022, Seventh Omnibus Amendment to Secured Notes, dated as of December 30, 2022, Eighth Omnibus Amendment to Secured Notes, dated as of August 8, 2023, and as may be further amended, restated, supplemented or otherwise modified from time to time, the **"GA Secured**

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**Note**"), by and among the Borrowers and Great American, Great American made a Loan to the Borrowers pursuant to the terms and conditions thereof;

**WHEREAS**, the relative rights and priorities of the security interests granted to the Lenders under the MSD Secured Note and the GA Secured Note are governed by the terms of that certain Intercreditor Agreement dated as of October 24, 2019 (the **"Intercreditor Agreement"**; the Intercreditor Agreement as amended by the First Omnibus Amendment to Secured Notes and Intercreditor Agreement dated February 21, 2020, the Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020 and the Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, the **"Intercreditor Agreement"**), by and among the Borrowers, MSD, and Great American;

**WHEREAS**, the Borrowers have requested that the Lenders amend certain provisions of the MSD Secured Note and the GA Secured Note and the Lenders are willing to do so, on the terms and subject to the conditions specified herein;

**WHEREAS**, the Borrowers have advised MSD that, to the extent Innovate CORP., a Delaware corporation ("Innovate") receives R2 Net Proceeds, MediBeacon Net Proceeds and/or DBM Net Proceeds (in each case as defined in the Innovate Side Letter (as defined below)), Innovate intends to, in each case solely to the extent of and with the use of such proceeds, (1) first, prepay up to 100% of the outstanding Great American Agreement Obligations (as defined in the Intercreditor Agreement) (any such prepayment, the **"Innovate Prepayment"**) and (2) second, to the extent of any remaining proceeds, purchase or redeem certain equity held by Great American (any such redemption, the **"Innovate Redemption"**), in each case on the terms and conditions described in the Side Letter Agreement dated as of the date hereof, by and between Great American and Innovate and as attached hereto as Annex A (the **"Innovate Side Letter"**), and MSD is willing to consent to the Innovate Prepayment and the Innovate Redemption, in each case, on the terms and conditions set forth herein; and

**WHEREAS**, initially capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the MSD Secured Note and the GA Secured Note, as applicable.

**NOW, THEREFORE**, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto hereby agrees as follows.

**1. Amendments to MSD Secured Note.** Subject to the satisfaction of the conditions precedent to the Amendment Effective Date set forth in Section 6 below, the MSD Secured Note is amended as follows:

(a) Section 1 is hereby amended by adding the below definition in the appropriate alphabetical order:

**"Ninth Omnibus Amendment Effective Date"** means November 9, 2023.

(b) The definition of "Maturity Date" in Section 1 is hereby amended and restated in its entirety as follows:

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**"Maturity Date"** means the earlier of (a) August 15, 2025 and (b) the date on which all amounts under this Note shall become due and payable.

(c) Section 3.6 is hereby amended and restated in its entirety as follows:

**Exit Fee.** As consideration for the agreements of the Lender under the Secured Note, the Borrowers agree to pay to the Lender an exit fee (the "**Exit Fee**") in an amount equal to 20.43% of the aggregate principal amount of this Note on the Ninth Omnibus Amendment Effective Date, including accrued and capitalized interest earned through the Exit Fee Payment Date (as defined below), which Exit Fee shall be earned in full on the Ninth Omnibus Amendment Effective Date and due and payable on the earliest to occur (such earliest date, the "**Exit Fee Payment Date**") of (a) the Maturity Date and (b) each date on which any of the Obligations are repaid, prepaid or required to be repaid or prepaid in full in cash (whether by scheduled maturity, voluntary prepayment, required prepayment, acceleration, demand, or otherwise).

(d) Section 8 is hereby amended by inserting the following new Section 8.11:

**8.11 Innovate Side Letter.** Innovate Corp., a Delaware corporation, shall default under any obligation set forth in the Innovate Side Letter (as defined in that certain Ninth Omnibus Amendment to Secured Notes and Limited Consent to MSD Secured Note and Intercreditor Agreement dated as of November 9, 2023) or the Innovate Side Letter shall be amended without the consent of Lender.

**2. Amendments to GA Secured Note.** Subject to the satisfaction of the conditions precedent to the Amendment Effective Date set forth in Section 6 below, the GA Secured Note is hereby amended as follows:

(a) Section 1 is hereby amended by adding the below definition in the appropriate alphabetical order:

**"Ninth Omnibus Amendment Effective Date"** means November 9, 2023.

**"Total Return"** means, as of any date of determination, an annualized internal rate of return (computed using the "XIRR" function in Microsoft® Excel 2002 or an equivalent function in another software package) based on cash flows equal to an initial cash outflow equal to the capitalized principal amount of this Note as of December 30, 2022 and cash inflows equal to each payment of interest, principal and Exit Fee on this Note on the date of each such payment, as consistently calculated with past practices.

(b) The definition of "Maturity Date" in Section 1 is hereby amended and restated in its entirety as follows:

**"Maturity Date"** means the earlier of (a) August 15, 2025 and (b) the date on which all amounts under this Note shall become due and payable.

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(c) Section 3.6 is hereby amended and restated in its entirety as follows:

Exit Fee.

(a) As consideration for the agreements of MassMutual under the Secured Note, the Borrowers agree to pay to MassMutual an exit fee (the "MassMutual Exit Fee") in an amount equal to 18.76% of the Capitalized Principal Amount of this Note on the Ninth Omnibus Amendment Effective Date owed to MassMutual plus all accrued and capitalized interest earned through the Maturity Date, which shall be due and payable on the Maturity Date, provided that in connection with a partial or full prepayment of the Obligations prior to the Maturity Date (the "MassMutual Prepayment Date") the MassMutual Exit Fee shall be adjusted to equal an amount on the Prepayment Date which represents the Total Return to MassMutual equal to 16.625%.

(b) As consideration for the agreements of GAIC under the Secured Note, the Borrowers agree to pay to GAIC an exit fee (the "GAIC Exit Fee") in an amount equal to 18.76% of the Capitalized Principal Amount of this Note on the Ninth Omnibus Amendment Effective Date owed to GAIC plus all accrued and capitalized interest earned through the Maturity Date, which shall be due and payable on the Maturity Date, provided that in connection with a partial or full prepayment of the Obligations prior to the Maturity Date (the "GAIC Prepayment Date") the GAIC Exit Fee shall be adjusted to equal an amount on the Prepayment Date which represents the Total Return to GAIC equal to 16.625%.

3. Consent under MSD Secured Note.

(a) Effective as of the Amendment Effective Date, notwithstanding the requirements of Sections 7.2(d), 7.2(k), and any other provision of the MSD Secured Note, MSD hereby consents to the Innovate Redemption so long as the Innovate Redemption is on the terms and conditions described in the Innovate Side Letter, subject to the conditions set forth in Section 5 hereof.

(b) Except as expressly set forth in this Amendment, the Innovate Redemption shall not, by implication or otherwise, limit, impair, constitute a consent or waiver of or otherwise affect any rights or remedies of MSD under the MSD Secured Note or the other Note Documents, nor alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the MSD Secured Note or the Note Documents, all of which shall continue in full force and effect. The Innovate Redemption shall not extend beyond the terms expressly set forth herein, nor impair or otherwise affect any right or power accruing to MSD under the MSD Secured Note or any other Note Document, or under applicable law, with respect to any Default or Event of Default. Nothing in this Amendment shall be construed to imply any willingness on the part of MSD to grant any similar or future consent or waiver of any of the terms and conditions of the MSD Secured Note or the other Note Documents, or establish a custom or course of dealing or conduct among MSD and the Borrowers

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4. Consent under Intercreditor Agreement.

(a) Effective as of the Amendment Effective Date, notwithstanding the requirements of Section 2.01(b) to the Intercreditor Agreement, MSD hereby consents to the Innovate Prepayment.

(b) Except as expressly set forth in this Amendment, the Innovate Prepayment shall not, by implication or otherwise, limit, impair, constitute a consent or waiver of or otherwise affect any rights or remedies of MSD under the Intercreditor Agreement, MSD Secured Note or the other Note Documents, nor alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Intercreditor Agreement, the MSD Secured Note or the Note Documents, all of which shall continue in full force and effect. The Innovate Prepayment shall not extend beyond the terms expressly set forth herein, nor impair or otherwise affect any right or power accruing to MSD under the Intercreditor Agreement, MSD Secured Note or any other Note Document, or under applicable law, with respect to any Default or Event of Default. Nothing in this Amendment shall be construed to imply any willingness on the part of MSD to grant any similar or future consent or waiver of any of the terms and conditions of the

Intercreditor Agreement, MSD Secured Note or the other Note Documents, or establish a custom or course of dealing or conduct among MSD and the Borrowers.

5. **Consent Conditions.** In consideration of the agreements contained herein, including MSD's consent to the Innovate Prepayment and the consent to the Innovate Redemption, the Borrowers agree that:

(a) New unsecured indebtedness issued to Parent Borrower by Innovate or a 100% wholly-owned Subsidiary of Innovate in order to effectuate the Innovate Prepayment must (x) include a maturity that is at least ninety-one (91) days after the Maturity Date under the MSD Secured Note and (y) be subject to a subordination agreement in form and substance acceptable to MSD providing for (1) payment and lien subordination by Innovate or its 100% wholly-owned Subsidiary in favor of MSD and, if applicable, Great American, in respect of all outstanding Great American Agreement Obligations (including a block on any payments in cash or otherwise prior to payment in full of all Obligations), (2) a block on remedies by Innovate or its 100% wholly-owned Subsidiary prior to the payment in full of all Obligations outstanding under the MSD Secured Note and, if applicable, the GA Secured Note, and (3) other terms and waivers to be agreed; *provided that*, for the avoidance of doubt, the MSD Secured Note and the GA Secured Note shall not prohibit Parent Borrower from issuing equity (other than disqualified equity (which shall be defined in a customary manner)) to Innovate or a 100% wholly-owned subsidiary of Innovate or incurring any such indebtedness, the proceeds of which are used in each case to effectuate the Innovate Prepayment so long as any such indebtedness satisfies the terms in clauses (x) and (y) above; and

(b) the Borrowers shall pay to MSD a consent fee (the "Consent Fee") in an amount equal to \$576,507, in the aggregate, which shall be due and payable in cash on the earlier of (x) the date the Exit Fee under the MSD Secure Note is due and payable and (y) the date the R2 Sale, the MediBeacon Sale or the DBM Sale (each as defined in the Innovate Side Letter) results in repayment of at least 50% of the outstanding Great American Agreement Obligations.

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6. **Conditions to Effectiveness.** This Amendment shall be effective when all of the following conditions have been satisfied (such date, the "Amendment Effective Date"):

(a) **Execution and Delivery.** MSD and Great American shall have received in form and substance satisfactory to them and their legal counsel, counterparts of this Amendment duly executed and delivered by each of the parties hereto.

(b) **Fees, Costs and Expenses.** The Borrowers shall have paid all fees, costs and expenses due and payable as of the date hereof under the MSD Secured Note and the GA Secured Note, including without limitation all attorney's fees and expenses incurred by the Lenders;

(c) **Representations and Warranties.** The representations and warranties set forth in Section 7 hereof shall be true and correct as of the date hereof and as of the Amendment Effective Date;

7. **Representations and Warranties of the Borrowers.** Each Borrower hereby represents and warrants to the Lenders as follows:

(a) the execution and delivery of this Amendment, and the performance of the MSD Secured Note and the GA Secured Note (i) have been duly authorized by all proper and necessary action of the board of directors of such Borrower; and (ii) do not and will not conflict with (x) any material provision of Law or regulatory requirements to which such Borrower is subject, or (y) any charter, bylaw, stock provision, partnership agreement or other document pertaining to the organization, power or authority of such Borrower;

(b) there is no material outstanding decree, decision, judgment or order that has been issued by any court, Governmental Authority, agency or arbitration authority against such Borrower or its FCC Licenses;

(c) (x) no Borrower is in default under or with respect to any Contractual Obligation of such Borrower that could, either individually or in the aggregate reasonably be expected to result in a Material Adverse Change; or (y) no consent or approval of any public authority or any other third party is required as a condition to the validity of this Amendment;

(d) each of this Amendment and each Note Document (as defined in each of the MSD Secured Note and the GA Secured Note) is the valid and legally binding obligation of such Borrower, enforceable against such Borrower in accordance with its respective terms;

(e) the representations and warranties contained in Section 7.3 of the MSD Secured Note and in Section 7.3 of the GA Secured Note are true, correct and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date of this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); and

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(f) no Default or Event of Default has occurred and is continuing.

8. **Further Assurances.** At any time upon the reasonable request of any Lender, each Borrower shall promptly execute and deliver to the Lenders any additional documents as such Lender shall reasonably request pursuant to the Note Documents (as defined in the MSD Secured Note and the GA Secured Note), in each case in form and substance reasonably satisfactory to the Lenders.

9. **Governing Law; Submission to Jurisdiction; Venue; Waiver of Jury Trial.** THIS AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING GOVERNING LAW, SUBMISSION TO JURISDICTION, VENUE, AND WAIVER OF JURY TRIAL SET FORTH IN SECTION 11 OF THE MSD SECURED NOTE AND SECTION 11 OF THE GA SECURED NOTE, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, MUTATIS MUTANDIS.

10. **Binding Effect.** This Amendment shall be binding upon the Borrowers and shall inure to the benefit of the Lenders, together with their respective successors and permitted assigns.

11. **Effect on Note Documents.** The terms and provisions set forth in this Amendment shall supersede all inconsistent terms and provisions of the MSD Secured Note and the GA Secured Note, and shall not be deemed to be a consent to or a modification or amendment of any other term or condition of the MSD Secured Note or the GA Secured Note. Except as expressly modified and superseded by this Amendment, the terms and provisions of the MSD Secured Note, the GA Secured Note, and each of the other Note Documents (as defined in the MSD Secured Note and the GA Secured Note) are ratified and confirmed and shall continue in full force and effect.

12. **Release.**

(a) In consideration of the agreements of the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each of the Lenders, its successors and assigns, and its direct and indirect owners, partners, members, managers, consultants, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives, and all persons acting by, through, under or in concert with any of them (the Lenders and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee") of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, recoupment, rights of setoff, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, contingent or mature, suspected or unsuspected, both at law and in equity, which any Borrower or any of its respective successors, affiliates, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in

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connection with this Amendment or any of the other Note Documents (as defined in the MSD Secured Note and the GA Secured Note) or transactions thereunder or related thereto.

(b) Each Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Each Borrower agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) In entering into this Amendment, each Borrower has consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees and hereby agrees and acknowledges that the validity and effectiveness of the release set forth above does not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity hereof. The release set forth herein shall survive the termination of this Amendment and the Note Documents and the payment in full of the Obligations (Note Documents and Obligations, each as defined in the MSD Secured Note and the GA Secured Note).

(e) Each Borrower acknowledges and agrees that the release set forth above may not be changed, amended, waived, discharged or terminated orally.

### 13. Miscellaneous

(a) This Amendment is a "Note Document" under both the MSD Secured Note and the GA Secured Note. Any breach of any term, covenant, agreement, or representation or warranty shall be an immediate Event of Default under each of the MSD Secured Note and the GA Secured Note and any failure to satisfy any conditions under this Amendment shall be deemed an automatic and immediate withdrawal of the agreements of the Lenders hereunder. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall constitute but one and the same instrument. Delivery of an executed counterpart of this Amendment by telefacsimile or other electronic image scan transmission (e.g., "PDF" or "tif" via email) shall be equally effective as delivery of a manually executed counterpart of this Amendment.

(b) If any term or provision of this Amendment is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Amendment or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Amendment so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

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(c) The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

(d) This Amendment shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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IN WITNESS WHEREOF, the Borrowers and the Lenders have caused this Amendment to be duly executed by its authorized officer as of the day and year first above written.

HC2 BROADCASTING HOLDINGS INC.,  
as the Parent Borrower

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

HC2 BROADCASTING INTERMEDIATE HOLDINGS INC.,  
as the Intermediate Parent

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

HC2 STATION GROUP, INC.,  
as a Subsidiary Borrower

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

HC2 BROADCASTING INC.,  
as a Subsidiary Borrower

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

**SIGNATURE PAGE TO NINTH OMNIBUS AMENDMENT TO SECURED NOTES**

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HC2 NETWORK INC.,  
as a Subsidiary Borrower

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

**DTV AMERICA CORPORATION,**  
as a Subsidiary Borrower

By: /s/ Les Levi  
Name: Les B. Levi  
Title: President & Chief Executive Officer

**SIGNATURE PAGE TO NINTH OMNIBUS AMENDMENT TO SECURED NOTES**

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**MSD PCOF PARTNERS XVIII, LLC**

By: /s/ Marcello Liguori  
Name: Marcello Liguori  
Title: Authorized Signatory

**SIGNATURE PAGE TO NINTH OMNIBUS AMENDMENT TO SECURED NOTES**

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**MASSMUTUAL ASCEND LIFE INSURANCE COMPANY**  
BY: BARINGS LLC AS INVESTMENT ADVISER

By: /s/ Mark Hindson  
Name: Mark Hindson  
Title: Managing Director

**SIGNATURE PAGE TO NINTH OMNIBUS AMENDMENT TO SECURED NOTES**

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**GREAT AMERICAN INSURANCE COMPANY**

By: /s/ Stephen C. Beraha  
Name: Stephen C. Beraha  
Title: Assistant Vice President

**Annex A**

Side Letter Agreement  
(see attached)



November 9, 2023

Mass Mutual Ascend Life Insurance Company  
c/o Barings LLC  
300 S. Tryon Street, Suite 2500  
Charlotte, NC 28202

Great American Insurance Company  
c/o American Money Management Corporation  
301 E. Fourth St., Cincinnati, OH 45202

**Re: Side Letter Agreement Re: Note Extension**

To Whom It May Concern:

Reference is made to that certain Amended and Restated Secured Note dated as of October 24, 2019 (as amended by the First Omnibus Amendment to Secured Notes and Intercreditor Agreement, the Consent dated August 17, 2020, the Second Omnibus Amendment to Secured Notes, dated August 31, 2020, the Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020, the Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, dated November 25, 2020, the Consent to Note Assignments and DTV Note Extensions Under Secured Notes and Intercreditor Agreement dated August 30, 2021, the Fifth Omnibus Amendment to Secured Notes, Consent and Second Amendment to Asset Sale Under Secured Notes and Intercreditor Agreement, dated as of October 21, 2021, Sixth Omnibus Amendment to Secured Notes, dated as of November 28, 2022, Seventh Omnibus Amendment to Secured Notes, dated as of December 30, 2022, Eighth Omnibus Amendment to Secured Notes, dated as of August 8, 2023, and as may be further amended, restated, supplemented or otherwise modified from time to time (the "Secured Note"), by and among HC2 STATION GROUP, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., DTV AMERICA CORPORATION, HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., HC2 BROADCASTING HOLDINGS INC. (collectively, the "Borrowers") and MASSMUTUAL ASCEND LIFE INSURANCE COMPANY ("MassMutual"), and GREAT AMERICAN INSURANCE COMPANY ("GAIC" and together with MassMutual, the "Lenders").

In consideration of Lenders entering into that certain Ninth Omnibus Amendment to Secured Notes, dated as of the date hereof (the "Ninth Amendment"), by and among the Borrowers, the Lenders and MSD PCOF PARTNERS XVIII, LLC, which amends certain provisions of the Secured Note, Innovate CORP., a Delaware corporation ("Innovate"), who as the one hundred percent (100%) owner of certain of the Borrowers shall receive material

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consideration from the Ninth Amendment, has agreed to enter into this letter agreement (this "Agreement") to provide for certain additional agreements in favor of the Lenders, as follows:

1. In the event of (a) a sale of R2 Technologies, Inc., a Delaware corporation ("R2"), whether by merger of R2, sale of all of the issued and outstanding equity of R2, or sale of substantially all of the assets of R2 or any partial sale of the assets of R2 not in the ordinary course of business, including any additional equity investment, or the sale of any equity owned by Innovate in R2 (an "R2 Sale") or (b) the payment of a dividend or distribution by R2 (an "R2 Distribution" and together with an R2 Sale, an "R2 Payment Event"), Innovate covenants and agrees to cause the R2 Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of accrued and unpaid interest on the Secured Note, the outstanding principal amount of the Secured Note, accrued exit fees with respect to the Secured Note, and all other reasonable fees and expenses of Lenders with respect to the purchase of the Secured Note, all in accordance with the terms of the Secured Note (collectively, the "Full Repayment Amount") (subject to the prior application of any MediBeacon Proceeds or DBM Proceeds as provided herein). For purposes hereof, "R2Net Proceeds" means the Proceeds (as defined below) received by Innovate from an R2 Payment Event or from R2 or by R2 from an R2 Sale, as and when received, including any contingent consideration, after payment of indebtedness due from R2, indebtedness secured by assets of R2 and due from R2 to the extent required by the terms of such indebtedness, in each case, as specified on the attached Schedule I, and other customary transaction fees and expenses. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the R2 Sale or the receipt of the R2 Distribution. For purposes hereof, "Proceeds" means all cash proceeds, and any non-cash proceeds when such non-cash proceeds are converted to cash in accordance with applicable laws and contractual restrictions and at a commercially reasonable value. For the avoidance of doubt, any Proceeds received by Pansend as repayment of debt held by Pansend shall be included in R2 Net Proceeds. Innovate covenants and agrees to, and to cause its subsidiaries to, use commercially reasonable efforts to convert non-cash proceeds to cash to the extent such conversion can be done in compliance with the prior sentence.

2. In the event of (a) a sale of all or any portion of the interest in MediBeacon, Inc., a Delaware corporation (the "MediBeacon Interest") held by Pansend Life Sciences, LLC, a Delaware limited liability company ("Pansend"), whether by merger of MediBeacon, sale of all or any portion of the issued and outstanding equity of MediBeacon, or sale of substantially all of the assets of MediBeacon or a sale of a portion of the assets of MediBeacon outside the ordinary course of business (a "MediBeacon Sale") or (b) the payment of a dividend or distribution by MediBeacon (a "MediBeacon Distribution" and together with a MediBeacon Sale, a "MediBeacon Payment Event"), to the extent the Secured Note remains outstanding at such time, Innovate covenants and agrees to cause the MediBeacon Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of the Full Repayment Amount (subject to the prior application of any R2 Proceeds or DBM Proceeds as provided herein). For purposes hereof, "MediBeacon Net Proceeds" means the Proceeds received from a MediBeacon Payment Event by Innovate or its controlled subsidiaries, as and when received, including any contingent or deferred consideration, after payment of indebtedness secured by assets of Pansend or its subsidiaries and due from Pansend to the extent required by the terms of

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such indebtedness, in each case, as specified on the attached Schedule I (the "Scheduled Indebtedness"), and other customary transaction fees and expenses. For the avoidance of doubt, any Proceeds received by Pansend as repayment of debt held by Pansend shall be included in MediBeacon Net Proceeds. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the MediBeacon Sale

or the receipt of the MediBeacon Distribution, or in the case of contingent or deferred consideration, after receipt of such contingent or deferred consideration.

3. In the event of a sale of all or any portion of the interest in DBM Global, Inc., a Delaware corporation (the "DBM Interest") held by DBM Global Intermediate Holdco Inc., a Delaware limited liability company ("DBM"), whether by merger of DBM, sale of all or any portion of the issued and outstanding equity of DBM, or sale of substantially all of the assets of DBM or a sale of a portion of the assets of DBM outside the ordinary course of business (a "DBM Sale"), to the extent the Secured Note remains outstanding at such time, Innovate covenants and agrees to cause the DBM Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of the Full Repayment Amount (subject to the prior application of any R2 Proceeds or MediBeacon Proceeds as provided herein). For purposes hereof, "DBM Net Proceeds" means the Proceeds received by Innovate or from DBM or by DBM from a DBM Sale from a DBM Sale, as and when received, including any contingent or deferred consideration, after payment of (a) any indebtedness of DBM to the extent required by the terms of such indebtedness, (b) any indebtedness of Innovate to the extent required by the terms of such indebtedness, including without limitation the Indenture Documents (as defined below), and (c) other customary transaction fees and expenses. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the DBM Sale, or in the case of contingent or deferred consideration, after receipt of such contingent or deferred consideration. For purposes hereof, the "Indenture Documents" means that certain (a) the First Supplemental Indenture dated August 19, 2020, between INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) and U.S. Bank National Association, (b) the Indenture governing the 8.500% senior secured notes due 2026, dated as of February 1, 2021, by and among INNOVATE Corp. (f/k/a HC2 Holdings, Inc.), the guarantors party thereto and U.S. Bank National Association, (c) the Indenture governing the 7.5% convertible senior notes due 2026, dated as of February 1, 2021, by and between INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) and U.S. Bank National Association.

4. Innovate covenants and agrees to provide Lenders with monthly updates on any process undertaken with respect to an R2 Sale or MediBeacon Sale to the extent legally permitted. Innovate represents and warrants that no indebtedness or other obligation of Innovate is required to pay paid or prepaid in whole or in part in connection with an R2 Sale or MediBeacon Sale, other than as provided in the terms of the Scheduled Indebtedness. Any failure by Innovate to comply with the terms and conditions of this Agreement shall constitute an Event of Default under and as defined in the Secured Notes.

5. In the event that Innovate receives a bona fide third party offer for an R2 Sale or a MediBeacon Sale or a DBM Sale, Innovate shall use its best efforts to accept such bid or bids, subject in all respects to the exercise by the Innovate Board of Directors of its fiduciary duties,

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and use commercially reasonable efforts to document and close such transaction in not more than sixty (60) days. Following acceptance of any such offer, Borrowers shall continue to provide Lenders with updates on the closing process as reasonably requested by Lenders and to the extent legally permitted.

6. In the event of the repayment or repurchase of the Secured Note as provided pursuant to Sections 1, 2 or 3 above, concurrently with such repayment or repurchase of the Secured Note, Innovate shall use any remaining R2 Net Proceeds, MediBeacon Net Proceeds or DBM Net Proceeds to purchase, or cause its subsidiary to purchase or redeem, the equity held by Lenders provided on Schedule II hereto (the "Purchased Equity") for an aggregate purchase price of US\$1,000,000 (the "Equity Price"), with such Equity Price allocated to each of the Lenders based on the pro rata holding of Purchased Equity attributable to each Lender, provided that, notwithstanding the foregoing if the Secured Note is not repaid or repurchased on or before November 9, 2024, then the Equity Price shall increase to US\$2,000,000. Payment of the Equity Price shall be payment in full for the purchase or redemption of one hundred percent (100%) of the Purchased Equity.

7. In the event that the Full Repayment Amount has not been paid in full on or before June 30, 2024, then Borrowers shall obtain an appraisal of the assets of Borrower, including without limitation spectrum assets and licenses, with such appraisal to be delivered to Lenders no later than September 30, 2024. The appraisal firm shall be selected by the Lenders, with the consent of Borrowers (which consent shall not be unreasonably withheld or delayed) on or before March 31, 2024, after obtaining fee quotes from at least three (3) qualified appraisal firms.

8. Innovate covenants and agrees to cause (a) any R2 Net Proceeds and MediBeacon Net Proceeds to be distributed from Pansend to Innovate, and (b) any DBM Net Proceeds to be distributed from DBM to Innovate, in each case subject to the terms of the indebtedness of Innovate

and its subsidiaries, including without limitation the Indenture Documents.

9. Any payment hereunder with respect to the Secured Note for an amount less than the Full Repayment Amount shall be allocated applied on a pro rata basis to the accrued interest, outstanding principal, and accrued exit fees.

10. Innovate represents and warrants to the Lenders that the terms of the Indenture Documents permit the R2 Net Proceeds, MediBeacon Net Proceeds, and DBM Net Proceeds to be used for payment of accrued and unpaid interest on the Secured Note, the outstanding principal amount of the Secured Note, accrued exit fees with respect to the Secured Note, and all other reasonable fees and expenses of Lenders with respect to the purchase of the Secured Note, on the terms provided in this Agreement.

Lenders agree that references to consideration or payment received by Innovate as used herein shall mean receipt by Innovate only, and not receipt by any subsidiary of Innovate.

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Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument, signed by the Borrowers and Lenders. This Agreement will be governed by the internal law of the State of Delaware, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Delaware. This Agreement may not be assigned without the prior written consent of all other parties hereto. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Facsimile, PDF and other electronically formatted or transmitted signatures shall be deemed original signatures for all purposes of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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Sincerely,

INNOVATE CORP.

By:

Michael Sena

Accepted and agreed as of the date set forth above:

MASSMUTUAL ASCEND LIFE INSURANCE COMPANY

By: Barings LLC, its Investment Adviser

By: \_\_\_\_\_

Name: Mark Hindson

Title: Managing Director

**GREAT AMERICAN INSURANCE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Signature Page to Letter Agreement]

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**SCHEDULE I**  
**Scheduled Indebtedness**

		<b>Principal</b>
<b>R2 Technologies</b>		
Lancer Capital		\$ 17,349,195
Pansend Life Sciences, LLC		\$ 7,200,078
<b>Total R2 Technologies Principal</b>		<b>\$ 24,549,273</b>
<b>MediBeacon</b>		
Pansend Life Sciences, LLC		\$ 6,250,000
Steven Miller		\$ 200,000
William Newlin II		\$ 50,000
Shelley Newlin		\$ 25,000
Mr. and Mrs. Douglas J. Balsley		\$ 50,000
James Donnelly & Tracey Temanson		\$ 250,000
Jeffrey & Amy Stern		\$ 500,000
Troy and Jamie Hedman		\$ 50,000
Kurt and Angela Balderston		\$ 50,000
Thomas and Natalie Schieber		\$ 250,000
Robert and Joanne Welsh		\$ 100,000
David and Jill Wenzel		\$ 350,000
Jonathan and Stacy Gallop		\$ 50,000
Robert A. Contreras		\$ 100,000
Christine M. and Brian J. Cooke		\$ 50,000
Patrick J. Moore - 1st tranche		\$ 100,000
Robert D. Millstone Revocable Trust		\$ 155,000
Millstone Foundation		\$ 250,000
Timothy and Monica Hanley - 1st tranche		\$ 100,000
Joseph Bestgen		\$ 200,000
The Riffle Family Trust		\$ 350,000
Sean T. and Gina L. Donlin		\$ 250,000
Rick Ryan		\$ 100,000
BioAltum Consulting LLC		\$ 50,000
David R. Wenzel & Jill C. Wenzel		\$ 100,000
James W. Donnelly and Tracey J. Temanson		\$ 200,000
Robert D. Millstone Revocable Trust		\$ 100,000
The Riffle Family Trust		\$ 350,000
Jeffrey E. Stern Revocable Trust U/I dtd. 9/17/04		\$ 250,000

		<b>Principal</b>
Steven B. Miller		\$ 500,000
Balderston Living Trust DTD July 18, 2011		\$ 50,000
Schieber Family Trust		\$ 50,000
John P. Friel		\$ 50,000
Patrick J. Moore - 2nd tranche		\$ 50,000
Timothy and Monica Hanley - 2nd tranche		\$ 100,000
Total convertible Notes (MediBeacon)		<b>\$ 11,680,000</b>
Non-Convertible Notes Principal (Various)		\$ 6,325,000
Pansend Life Sciences, LLC		\$ 500,000
Total non-convertible notes Principal (MediBeacon)		<b>\$ 6,825,000</b>
<b>Total MediBeacon Principal Outstanding</b>		<b>\$ 18,505,000</b>

**SCHEDULE II**  
**Purchased Equity**

**HC2 Broadcasting Holdings Inc.**

**Common Stock**

<b>Shareholder</b>	<b># of Shares</b>
MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	12,245
Great American Insurance Company	8,163

**Warrants:**

<b>Issue Date</b>	<b>Warrant Holder</b>	<b>Number</b>	<b>Exercise Price</b>
08/07/2018	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	12,495	\$0.01
08/07/2018	Great American Insurance Company	8,330	\$0.01
10/24/2019	Great American Insurance Company	20,000	\$0.01
10/24/2019	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	30,000	\$0.01
08/31/2020	Great American Insurance Company	30,000	\$0.01
08/31/2020	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	45,000	\$0.01

**DTV America Corporation**

## Common Stock

Shareholder	# of Shares
MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	1,333,333
Great American Insurance Company	888,889



Exhibit 10.12

November 9, 2023

Mass Mutual Ascend Life Insurance Company  
c/o Barings LLC  
300 S. Tryon Street, Suite 2500  
Charlotte, NC 28202

Great American Insurance Company  
c/o American Money Management Corporation  
301 E. Fourth St., Cincinnati, OH 45202

### Re: Side Letter Agreement Re: Note Extension

To Whom It May Concern:

Reference is made to that certain Amended and Restated Secured Note dated as of October 24, 2019 (as amended by the First Omnibus Amendment to Secured Notes and Intercreditor Agreement, the Consent dated August 17, 2020, the Second Omnibus Amendment to Secured Notes, dated August 31, 2020, the Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated September 25, 2020, the Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, dated November 25, 2020, the Consent to Note Assignments and DTV Note Extensions Under Secured Notes and Intercreditor Agreement dated August 30, 2021, the Fifth Omnibus Amendment to Secured Notes, Consent and Second Amendment to Asset Sale Under Secured Notes and Intercreditor Agreement, dated as of October 21, 2021, Sixth Omnibus Amendment to Secured Notes, dated as of November 28, 2022, Seventh Omnibus Amendment to Secured Notes, dated as of December 30, 2022, Eighth Omnibus Amendment to Secured Notes, dated as of August 8, 2023, and as may be further amended, restated, supplemented or otherwise modified from time to time (the "Secured Note"), by and among HC2 STATION GROUP, INC., HC2 BROADCASTING INC., HC2 NETWORK INC., DTV AMERICA CORPORATION, HC2 BROADCASTING INTERMEDIATE HOLDINGS INC., HC2 BROADCASTING HOLDINGS INC. (collectively, the "Borrowers") and MASSMUTUAL ASCEND LIFE INSURANCE COMPANY ("MassMutual"), and GREAT AMERICAN INSURANCE COMPANY ("GAIC" and together with MassMutual, the "Lenders").

In consideration of Lenders entering into that certain Ninth Omnibus Amendment to Secured Notes, dated as of the date hereof (the "Ninth Amendment"), by and among the Borrowers, the Lenders and MSD PCOF PARTNERS XVIII, LLC, which amends certain provisions of the Secured Note, Innovate CORP., a Delaware corporation ("Innovate"), who as the one hundred percent (100%) owner of certain of the Borrowers shall receive material

INNOVATE Corp. | 222 Lakeview Avenue, Suite 1660 | West Palm Beach, FL 33401 | 212-235-2691 | [www.innovatecorp.com](http://www.innovatecorp.com)

consideration from the Ninth Amendment, has agreed to enter into this letter agreement (this "Agreement") to provide for certain additional agreements in favor of the Lenders, as follows:

1. In the event of (a) a sale of R2 Technologies, Inc., a Delaware corporation ("R2"), whether by merger of R2, sale of all of the issued and outstanding equity of R2, or sale of substantially all of the assets of R2 or any partial sale of the assets of R2 not in the ordinary course of business, including any additional equity investment, or the sale of any equity owned by Innovate in R2 (an "R2 Sale") or (b) the payment of a dividend or distribution by R2 (an "R2 Distribution" and together with an R2 Sale, an "R2 Payment Event"), Innovate covenants and agrees to cause the R2 Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of accrued and unpaid interest on the Secured Note, the outstanding principal amount of the Secured Note, accrued exit fees with respect to the Secured Note, and all other reasonable fees and expenses of Lenders with respect to the purchase of the Secured Note, all in accordance with the terms of the Secured Note (collectively, the "Full Repayment Amount") (subject to the prior application of any MediBeacon Proceeds or DBM Proceeds as provided herein). For purposes hereof, "R2Net Proceeds" means the Proceeds (as defined below) received by Innovate from an R2 Payment Event or from R2 or by R2 from an R2 Sale, as and when received, including any contingent consideration, after payment of indebtedness due from R2, indebtedness secured by assets of R2 and due from R2 to the extent required by the terms of such indebtedness, in each case, as specified on the attached Schedule I, and other customary transaction fees and expenses. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the R2 Sale or the receipt of the R2 Distribution. For purposes hereof, "Proceeds" means all cash proceeds, and any non-cash proceeds when such non-cash proceeds are converted to cash in accordance with applicable laws and contractual restrictions and at a commercially reasonable value. For the avoidance of doubt, any Proceeds received by Pansend as repayment of debt held by Pansend shall be included in R2 Net Proceeds. Innovate covenants and agrees to, and to cause its subsidiaries to, use commercially reasonable efforts to convert non-cash proceeds to cash to the extent such conversion can be done in compliance with the prior sentence.

2. In the event of (a) a sale of all or any portion of the interest in MediBeacon, Inc., a Delaware corporation (the "MediBeacon Interest") held by Pansend Life Sciences, LLC, a Delaware limited liability company ("Pansend"), whether by merger of MediBeacon, sale of all or any portion of the issued and outstanding equity of MediBeacon, or sale of substantially all of the assets of MediBeacon or a sale of a portion of the assets of MediBeacon outside the ordinary course of business (a "MediBeacon Sale") or (b) the payment of a dividend or distribution by MediBeacon (a "MediBeacon Distribution" and together with a MediBeacon Sale, a "MediBeacon Payment Event"), to the extent the Secured Note remains outstanding at such time, Innovate covenants and agrees to cause the MediBeacon Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of the Full Repayment Amount (subject to the prior application of any R2 Proceeds or DBM Proceeds as provided herein). For purposes hereof, "MediBeacon Net Proceeds" means the Proceeds received from a MediBeacon Payment Event by Innovate or its controlled subsidiaries, as and when received, including any contingent or deferred consideration, after payment of indebtedness secured by assets of Pansend or its subsidiaries and due from Pansend to the extent required by the terms of such indebtedness, in each case, as specified on the attached Schedule I (the "Scheduled Indebtedness"), and other

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customary transaction fees and expenses. For the avoidance of doubt, any Proceeds received by Pansend as repayment of debt held by Pansend shall be included in MediBeacon Net Proceeds. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the MediBeacon Sale or the receipt of the MediBeacon Distribution, or in the case of contingent or deferred consideration, after receipt of such contingent or deferred consideration.

3. In the event of a sale of all or any portion of the interest in DBM Global, Inc., a Delaware corporation (the "DBM Interest") held by DBM Global Intermediate Holdco Inc., a Delaware limited liability company ("DBM"), whether by merger of DBM, sale of all or any portion of the issued and outstanding equity of DBM, or sale of substantially all of the assets of DBM or a sale of a portion of the assets of DBM outside the ordinary course of business (a "DBM Sale"), to the extent the Secured Note remains outstanding at such time, Innovate covenants and agrees to cause the DBM Net Proceeds (as defined below) to be used to cause Borrowers to repay the Secured Note by payment of the Full Repayment Amount (subject to the prior application of any R2 Proceeds or MediBeacon Proceeds as provided herein). For purposes hereof, "DBM Net Proceeds" means the Proceeds received by Innovate or from DBM or by DBM from a DBM Sale from a DBM Sale, as and when received, including any contingent or deferred consideration, after payment of (a) any indebtedness of DBM to the extent required by the terms of such indebtedness, (b) any indebtedness of

Innovate to the extent required by the terms of such indebtedness, including without limitation the Indenture Documents (as defined below), and (c) other customary transaction fees and expenses. Any payment pursuant to this Section shall be made within five (5) business days of the closing of the DBM Sale, or in the case of contingent or deferred consideration, after receipt of such contingent or deferred consideration. For purposes hereof, the "Indenture Documents" means that certain (a) the First Supplemental Indenture dated August 19, 2020, between INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) and U.S. Bank National Association, (b) the Indenture governing the 8.500% senior secured notes due 2026, dated as of February 1, 2021, by and among INNOVATE Corp. (f/k/a HC2 Holdings, Inc.), the guarantors party thereto and U.S. Bank National Association, (c) the Indenture governing the 7.5% convertible senior notes due 2026, dated as of February 1, 2021, by and between INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) and U.S. Bank National Association.

4. Innovate covenants and agrees to provide Lenders with monthly updates on any process undertaken with respect to an R2 Sale or MediBeacon Sale to the extent legally permitted. Innovate represents and warrants that no indebtedness or other obligation of Innovate is required to pay paid or prepaid in whole or in part in connection with an R2 Sale or MediBeacon Sale, other than as provided in the terms of the Scheduled Indebtedness. Any failure by Innovate to comply with the terms and conditions of this Agreement shall constitute an Event of Default under and as defined in the Secured Notes.

5. In the event that Innovate receives a bona fide third party offer for an R2 Sale or a MediBeacon Sale or a DBM Sale, Innovate shall use its best efforts to accept such bid or bids, subject in all respects to the exercise by the Innovate Board of Directors of its fiduciary duties, and use commercially reasonable efforts to document and close such transaction in not more than sixty (60) days. Following acceptance of any such offer, Borrowers shall continue to provide Lenders with updates on the closing process as reasonably requested by Lenders and to the extent legally permitted.

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6. In the event of the repayment or repurchase of the Secured Note as provided pursuant to Sections 1, 2 or 3 above, concurrently with such repayment or repurchase of the Secured Note, Innovate shall use any remaining R2 Net Proceeds, MediBeacon Net Proceeds or DBM Net Proceeds to purchase, or cause its subsidiary to purchase or redeem, the equity held by Lenders provided on Schedule II hereto (the "Purchased Equity") for an aggregate purchase price of US\$1,000,000 (the "Equity Price"), with such Equity Price allocated to each of the Lenders based on the pro rata holding of Purchased Equity attributable to each Lender, provided that, notwithstanding the foregoing if the Secured Note is not repaid or repurchased on or before November 9, 2024, then the Equity Price shall increase to US\$2,000,000. Payment of the Equity Price shall be payment in full for the purchase or redemption of one hundred percent (100%) of the Purchased Equity.

7. In the event that the Full Repayment Amount has not been paid in full on or before June 30, 2024, then Borrowers shall obtain an appraisal of the assets of Borrower, including without limitation spectrum assets and licenses, with such appraisal to be delivered to Lenders no later than September 30, 2024. The appraisal firm shall be selected by the Lenders, with the consent of Borrowers (which consent shall not be unreasonably withheld or delayed) on or before March 31, 2024, after obtaining fee quotes from at least three (3) qualified appraisal firms.

8. Innovate covenants and agrees to cause (a) any R2 Net Proceeds and MediBeacon Net Proceeds to be distributed from Pansend to Innovate, and (b) any DBM Net Proceeds to be distributed from DBM to Innovate, in each case subject to the terms of the indebtedness of Innovate and its subsidiaries, including without limitation the Indenture Documents.

9. Any payment hereunder with respect to the Secured Note for an amount less than the Full Repayment Amount shall be allocated applied on a pro rata basis to the accrued interest, outstanding principal, and accrued exit fees.

10. Innovate represents and warrants to the Lenders that the terms of the Indenture Documents permit the R2 Net Proceeds, MediBeacon Net Proceeds, and DBM Net Proceeds to be used for payment of accrued and unpaid interest on the Secured Note, the outstanding principal amount of the Secured Note, accrued exit fees with respect to the Secured Note, and all other reasonable fees and expenses of Lenders with respect to the purchase of the Secured Note, on the terms provided in this Agreement.

Lenders agree that references to consideration or payment received by Innovate as used herein shall mean receipt by Innovate only, and not receipt by any subsidiary of Innovate.

Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument, signed by the Borrowers and Lenders. This Agreement will be governed by the internal law of the State of Delaware, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Delaware. This Agreement may not be assigned without the prior written consent of all other parties hereto. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute

Page 4

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one and the same agreement. Facsimile, PDF and other electronically formatted or transmitted signatures shall be deemed original signatures for all purposes of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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Sincerely,

INNOVATE CORP.

By: /s/ Michael J. Sena  
Michael Sena

**Accepted and agreed as of the date set forth above:**

MASSMUTUAL ASCEND LIFE INSURANCE COMPANY

By: Barings LLC, its Investment Adviser

By: /s/ Mark Hindson  
Name: Mark Hindson  
Title: Managing Director

GREAT AMERICAN INSURANCE COMPANY

By: /s/ Stephen C. Beraha  
Name: Stephen C. Beraha  
Title: Assistant Vice President

[Signature Page to Letter Agreement]

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**SCHEDULE I**  
**Scheduled Indebtedness**

	<b>Principal</b>
<b>R2 Technologies</b>	
Lancer Capital	\$ 17,349,195
Pansend Life Sciences, LLC	\$ 7,200,078
<b>Total R2 Technologies Principal</b>	<b>\$ 24,549,273</b>
<b>MediBeacon</b>	
Pansend Life Sciences, LLC	\$ 6,250,000
Steven Miller	\$ 200,000
William Newlin II	\$ 50,000
Shelley Newlin	\$ 25,000
Mr. and Mrs. Douglas J. Balsley	\$ 50,000
James Donnelly & Tracey Temanson	\$ 250,000
Jeffrey & Amy Stern	\$ 500,000
Troy and Jamie Hedman	\$ 50,000
Kurt and Angela Balderston	\$ 50,000
Thomas and Natalie Schieber	\$ 250,000
Robert and Joanne Welsh	\$ 100,000
David and Jill Wenzel	\$ 350,000
Jonathan and Stacy Gallop	\$ 50,000
Robert A. Contreras	\$ 100,000
Christine M. and Brian J. Cooke	\$ 50,000
Patrick J. Moore - 1st tranche	\$ 100,000
Robert D. Millstone Revocable Trust	\$ 155,000
Millstone Foundation	\$ 250,000
Timothy and Monica Hanley - 1st tranche	\$ 100,000
Joseph Bestgen	\$ 200,000
The Riffle Family Trust	\$ 350,000
Sean T. and Gina L. Donlin	\$ 250,000
Rick Ryan	\$ 100,000
BioAltum Consulting LLC	\$ 50,000
David R. Wenzel & Jill C. Wenzel	\$ 100,000
James W. Donnelly and Tracey J. Temanson	\$ 200,000
Robert D. Millstone Revocable Trust	\$ 100,000
The Riffle Family Trust	\$ 350,000
Jeffrey E. Stern Revocable Trust U/I dtd. 9/17/04	\$ 250,000

		<b>Principal</b>
	Steven B. Miller	\$ 500,000
	Balderston Living Trust DTD July 18, 2011	\$ 50,000
	Schieber Family Trust	\$ 50,000
	John P. Friel	\$ 50,000
	Patrick J. Moore - 2nd tranche	\$ 50,000
	Timothy and Monica Hanley - 2nd tranche	\$ 100,000
	Total convertible Notes (MediBeacon)	<b>\$ 11,680,000</b>
	Non-Convertible Notes Principal (Various)	\$ 6,325,000
	Pansend Life Sciences, LLC	\$ 500,000
	Total non-convertible notes Principal (MediBeacon)	<b>\$ 6,825,000</b>
	<b>Total MediBeacon Principal Outstanding</b>	<b>\$ 18,505,000</b>

**SCHEDULE II**  
**Purchased Equity**

**HC2 Broadcasting Holdings Inc.**

**Common Stock**

<b>Shareholder</b>	<b># of Shares</b>
MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	12,245
Great American Insurance Company	8,163

**Warrants:**

<b>Issue Date</b>	<b>Warrant Holder</b>	<b>Number</b>	<b>Exercise Price</b>
08/07/2018	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	12,495	\$0.01
08/07/2018	Great American Insurance Company	8,330	\$0.01
10/24/2019	Great American Insurance Company	20,000	\$0.01
10/24/2019	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	30,000	\$0.01
08/31/2020	Great American Insurance Company	30,000	\$0.01

08/31/2020	MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	45,000	\$0.01
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**DTV America Corporation**

**Common Stock**

Shareholder	# of Shares
MassMutual Ascend Life Insurance Company (f/k/a Great American Life Insurance Company)	1,333,333
Great American Insurance Company	888,889

**Exhibit 31.1**

CERTIFICATIONS

I, Paul K. Voigt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of INNOVATE Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023 May 7, 2024 By: /s/ Paul K. Voigt

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Name: Paul K. Voigt  
Title: Interim President and Chief Executive Officer  
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Michael J. Sena, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of INNOVATE Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023 May 7, 2024

By: /s/ Michael J. Sena

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Name: Michael J. Sena  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. §1350, as adopted), Paul K. Voigt, the Interim President and Chief Executive Officer (Principal Executive Officer) of INNOVATE Corp. (the "Company"), and Michael J. Sena, the Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter three months ended September 30, 2023 March 31, 2024, to which this Certification is attached as Exhibit 32 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: **November 9, 2023** **May 7, 2024**

*/s/* Paul K. Voigt

**Paul K. Voigt**

**Interim President and Chief Executive Officer (Principal Executive Officer)**

*/s/* Michael J. Sena

**Michael J. Sena**

**Chief Financial Officer (Principal Financial and Accounting Officer)**

#### DISCLAIMER

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