

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2025
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
(State or other jurisdiction of
incorporation or organization)
295 Madison Ave., 12th Floor, New York, NY
(Address of principal executive offices)

54-1708481
(I.R.S. Employer
Identification No.)
10017
(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 type="checkbox"/>
Non-accelerated filer	<input checked="" 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of INNOVATE's common stock held by non-affiliates of the registrant as of June 30, 2025 was approximately \$27.2 million based on the closing sale price of the Common Stock on such date.

As of March 23, 2026, 13,645,127 shares of common stock, par value \$0.001, were outstanding.

Documents Incorporated by Reference

The registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the 2026 Annual Meeting of Stockholders is incorporated by reference into Part III of this Form 10-K to the extent stated herein.

INNOVATE CORP.
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PART I

ITEM 1. BUSINESS

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

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

General

INNOVATE 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. As of December 31, 2025, our three operating platforms or reportable segments, based on management's organization of the enterprise, are Infrastructure, Life Sciences and Spectrum, plus our Other segment, which includes businesses that do not meet the separately reportable segment thresholds.

As of December 31, 2025, our principal operating subsidiaries include the following assets:

- (i) DBM Global Inc. ("DBMG") (Infrastructure), a family of companies providing fully integrated structural and steel construction services;
- (ii) Pansend Life Sciences, LLC ("Pansend") (Life Sciences), our subsidiary focused on supporting healthcare and biotechnology product development;
- (iii) HC2 Broadcasting Holdings Inc. and its subsidiaries ("Broadcasting") (Spectrum), a strategic operator of Over-The-Air ("OTA") broadcasting stations across the United States ("U.S.") including Puerto Rico; and
- (iv) Other, which represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate.

As a result of the addition of new milestone covenants to certain of the Company's debt agreements in connection with the refinancing transactions completed during the third quarter of 2025 (for additional details refer to *Restrictive Covenants* in the *Liquidity and Capital Resources* section in *Item 7* of this Form 10-K and to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference), we are required to commence a sales process for our Infrastructure and Spectrum segments. Management has initiated sales processes for the Infrastructure and Spectrum segments and has been actively assessing a range of potential options in order to optimize the Company's operational and financial position. Following a sale of the Infrastructure and Spectrum segments, we expect our future strategic focus will shift to operating and managing our portfolio of companies and building value in our remaining segments. We believe that our segments are well positioned to take advantage of current trends in today's economy and that there is opportunity to build value organically and inorganically in these segments.

Overall Business Strategy

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. We have generally pursued either controlling positions in durable, cash-flow generating businesses and assets that will enhance our current businesses in the segments we operate in or companies we believe exhibit substantial growth potential, which may be unrelated to the Company's then-current operating segments. In connection with any such acquisition, we may choose to actively assemble or re-assemble a company's management team to ensure the appropriate expertise is in place to execute the operating objectives of such business. We view ourselves as strategic and financial partners and seek to align our management teams' incentives with our goal of delivering sustainable long-term value to our stakeholders.

As part of any acquisition strategy, we may raise capital in the form of debt or equity securities (including preferred stock) or a combination thereof. We have broad discretion in selecting a business strategy for the Company. If we elect to pursue an acquisition, while we may intend to focus on our remaining segments, we may exercise our broad discretion to identify and select an industry and the possible acquisition or business combination opportunity unrelated to our current operating segments. In connection with evaluating these strategic and business alternatives, we may at any time be engaged in ongoing discussions with respect to possible acquisitions, business combinations and debt or equity securities offerings of widely varying sizes. There can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any agreement would be.

Our strategic process includes a continual evaluation of our existing businesses which may include a sale or recapitalization of businesses or operating segments. We consider many factors as we go through our evaluation, which include, but are not limited to, market factors and opportunities, growth prospects and internal needs. In connection with evaluating these strategic and business alternatives, we may at any time be engaged in ongoing discussions with respect to possible dispositions, mergers and public offerings of widely varying sizes. There can be no assurance that any of these discussions will result in a definitive agreement, and if they do, what the terms or timing of any agreement would be.

Competition

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

Human Capital

As of December 31, 2025, we had 3,587 full-time employees and 151 part-time employees, including the employees of our operating businesses as described in more detail below. We consider our relations with our employees to be satisfactory.

Our Operating Subsidiaries

Infrastructure Segment (DBMG)

DBM Global Inc. ("DBMG") is a fully integrated construction company offering both construction and professional services primarily through its core businesses, Schuff Steel Company ("SSC"), Banker Steel ("Banker") and GrayWolf Industrial ("GrayWolf") to a wide variety of commercial and industrial market segments. These companies provide services to their clients including design-assist, modularization, fabrication and erection of structural steel, heavy steel plate, trusses and girders, heavy equipment installation, as well as facility services for maintenance and shutdowns. The companies enable best delivery of pre-construction, construction and operations services by leveraging the capabilities of our DBM Vircon business, which provides construction modeling, rebar and steel detailing, industrial design, and digital engineering services. In addition, through its Aitken business ("Aitken"), DBMG manufactures pressure vessels, strainers, filters, separators and a variety of customized products.

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, hospital and medical offices, data centers, renewables, chemical, pulp and paper mills, manufacturing facilities, bridges, mines, metal processing and power plants.

Headquartered in Phoenix, Arizona, DBMG has domestic operations in Alabama, Arizona, California, Florida, Georgia, Kansas, Kentucky, New Jersey, New York, Oregon, South Carolina, Texas, Utah, Virginia, and Washington with construction projects primarily located in the aforementioned states, among others. In addition, DBMG has international operations in Australia, Canada, India, New Zealand, the Philippines, and the United Kingdom.

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

The indenture governing INNOVATE's 2027 Senior Secured Notes required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, such that by September 1, 2025 we needed to have a bona fide bid or term sheet related to a potential sale, a fully executed purchase or equity agreement by November 1, 2025, and an executed transaction with applied proceeds to the 2027 Senior Secured Notes Indenture no later than February 1, 2026, and in the event of the failure to achieve these milestones, the mandatory commencement of a sales process for DBMG. We did not achieve these milestones and accordingly we have commenced a sales process for DBMG.

The covenants contained in the DBMG Credit Agreement contain a Change in Control clause, which would constitute an Event of Default, both as defined in the DBMG Credit Agreement, which could accelerate the maturity of our Infrastructure segment's debt in the future upon certain events, including a sale of DBMG. Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Strategy

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

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

- *Expand and Diversify Revenue Base:* DBMG seeks to expand and strengthen its revenue base by leveraging its long-term relationships with national and multi-national construction and engineering firms, national and regional accounts, original equipment manufacturers, industrial owners, and other customers. DBMG also intends to continue to grow its operations by targeting projects that carry higher margins and less risk of large margin fluctuations. DBMG believes that continuing to increase its revenue base by completing projects - such as low-rise office buildings, healthcare facilities and other commercial and industrial structures - could reduce the impact of periodic adverse market or economic conditions, as well as the margin slippage that may accompany larger projects;
- *Emphasize Innovative Services:* DBMG focuses its building information modeling ("BIM"), digital engineering, detailing, fabrication, erection, and construction expertise on larger, more complex projects, where it typically experiences less competition and more advantageous negotiated contract opportunities. DBMG has extensive experience in providing services requiring complex BIM modeling, detailing, fabrication and erection techniques and other unusual project needs, such as BIM coordination, specialized transportation, steel treatment or specialty coating applications, piping, machinery rigging and setting, deep foundations, and specialty welding. These service capabilities have enabled DBMG to address such design-sensitive projects as stadiums, uniquely designed hotels and casinos, pulp and paper mills, chemical plants, and other industrial and manufacturing facilities;
- *Diversify Customer and Product Base:* Although DBMG seeks to achieve a leading share of the geographic and product markets in which it traditionally competes, it also seeks to diversify its product offerings and geographic markets through acquisition. By expanding the portfolio of products offered and geographic markets served, DBMG believes that it will be able to offer more value-added services to existing and new potential customers, as well as to reduce the impact of periodic adverse market or economic conditions; and
- *Ensure Project Delivery Success through Predictive Technologies:* DBMG uses resources including data analytics, modeling and detailing, laser scan to BIM, and augmented and virtual reality to provide fully integrated solutions for a project's lifecycle from design through to fabrication and construction, as well as providing mechanical and facility services. DBMG is thus able to deliver optimal value and reliable outcomes that are on schedule and on budget across a wide variety of services and geographic regions.

Services and Customers

DBMG consists of five business units spread across diverse markets: Schuff Steel Company ("SSC") (steel fabrication and erection), Banker Steel (steel fabrication and erection), DBM Vircon (steel detailing, rebar detailing, bridge detailing, BIM modeling services and BIM management services), the Aitken product line (manufacturing of equipment for the oil and gas industry), and GrayWolf (industrial multi-discipline construction, modularization, steel fabrication and erection, specialty facility maintenance, repair, and installation services, as well as management of smaller structural steel projects, leveraging subcontractors).

For the year ended December 31, 2025, revenues were as follows (in millions):

	Revenue	% of Total Revenue
SSC	\$ 687.5	56.8 %
Banker Steel	246.3	20.3 %
GrayWolf	237.4	19.6 %
DBM Vircon	32.3	2.7 %
Aitken	6.8	0.6 %
Total	<u>\$ 1,210.3</u>	<u>100.0 %</u>

The majority of DBMG's business is in North America, but DBM Vircon provides detailing services on five continents. In 2025, DBMG's two largest customers represented approximately 22.1% of DBMG's revenues. In 2024, DBMG's two largest customers represented approximately 25.5% of DBMG's revenues.

DBMG's size gives it the production capacity to complete large-scale, demanding projects, with typical utilization per facility ranging from 84% - 94% and a sales pipeline that includes approximately \$10.6 billion in potential revenue generation. DBMG believes it has benefited from being one of the largest players in a market that is highly fragmented across many small firms.

DBMG achieves a highly efficient and cost-effective construction process by focusing on collaborating with all project participants and utilizing its extensive digital engineering and design-assist capabilities with its clients. Additionally, DBMG has in-house fabrication, erection, and multi-discipline industrial construction capabilities combined with access to a network of subcontractors for smaller projects in order to provide high-quality solutions for its customers. DBMG offers a range of services across a broad geography through its 12 fabrication shops in the United States in 2025 and 33 sales and management facilities located in the United States, Australia, Canada, India, New Zealand, the Philippines, and the UK.

DBMG operates with minimal bonding requirements, with a balance of 39.5% of DBMG's total backlog of \$1,723.9 million as of December 31, 2025, and bonding is reduced as projects are billed rather than upon completion. DBMG has limited its raw material cost exposure by securing fixed price agreements from steel mills during contract bid, as well as by utilizing its purchasing power as one of the largest domestic buyers of wide flange beams in the United States.

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

- *Design-Assist:* Using the latest technology and BIM, SSC works to provide clients with cost-effective steel designs. The end result is turnkey-ready, structural steel solutions for its diverse client base;
- *Pre-Construction Design and Budgeting:* Clients who contact SSC in the early stages of planning can receive an SSC-performed analysis of the structure and cost breakdown. Both of these tools allow clients to accurately plan and budget for any upcoming project;
- *Steel Management:* Using SSC's proprietary Steel Integrated Management System ("SIMS"), SSC can track any piece of steel and instantly know its location. Additionally, SSC can help clients manage steel subcontracts, providing clients with savings on raw steel purchases and giving them access to a variety of SSC-approved subcontractors;
- *Fabrication:* Through its six fabrication shops in Arizona, California, Kansas, and Utah, SSC has one of the highest fabrication capacities in the United States, with approximately 1.1 million square feet under roof and a maximum annual fabrication capacity of approximately 278,000 tons;
- *Erection:* Named among the top two steel erectors in the United States each year since 2013, by Engineering News-Record, SSC knows how to add value to its projects through the safe and efficient erection of steel structures; and
- *BIM:* SSC uses BIM on every project to manage its role efficiently. Additionally, SSC's use of SIMS in conjunction with its proprietary BIM platform, Visualizer, allows for real-time reporting on a project's progress and an information-rich model review.

Banker Steel 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. Banker Steel offers a variety of services to its customers, which it believes enhances its ability to obtain and successfully complete projects. These services fall into four distinct groups: design-assist, pre-construction design and budgeting, fabrication, and erection:

- *Design-Assist:* Using the latest technology, Banker Steel helps developers plan, schedule, model and price projects from start to finish resulting in cost-effective steel designs;
- *Pre-Construction/Design and Budgeting:* Clients who contact Banker Steel in the early stages of planning can receive a detailed analysis of the structure and cost breakdown. Both of these tools allow clients to accurately plan and budget for any upcoming project;
- *Fabrication:* Through its three fabrication shops in New Jersey, and Virginia, Banker Steel has maximum annual fabrication capacity of approximately 139,000 tons with approximately 389,000 square feet of space; typically focusing on complex, non-commoditized jobs with intensive fabrication requirements; and
- *Erection:* Banker Steel offers a full suite of erection services including horizontal and vertical erection services.

GrayWolf provides services including industrial multi-discipline construction, modularization, steel fabrication, steel construction management, maintenance, repair, erection, and installation to a diverse range of end markets in order to provide high-quality outage, turnaround, and new installation services to customers. GrayWolf provides the following services through its two major brands: GrayWolf Integrated Construction (formerly Titan Contracting, Titan Fabricators, and Inco Services), and Milco National Constructors.

- *Multi-discipline construction and modularization services:* GrayWolf offers multi-discipline construction services to manufacturing, power, petrochemical, refining, data center, oil and gas and other industrial markets. Its services include providing modularization, plant maintenance, specialty welding, equipment rigging and setting, and mechanical and electrical construction to customers in the power, industrial, petrochemical, water treatment, and refining markets at a national level;
- *Specialty construction solutions for processing markets:* Customers in the pulp and paper, metals, mining and minerals, oil and gas and petrochemical markets utilize GrayWolf's specialized solutions including plant maintenance, process piping, equipment setting, and tank and vessel fabrication and erection that are catered to the needs and specifications of the customer's industry;
- *Turnarounds, tank construction, and piping services:* GrayWolf offers services including plant maintenance, specialty welding, piping systems, and tanks and vessels construction to the power, pulp and paper, refining, petrochemical, and water treatment markets in the Midwest, Mid-Atlantic, Southeast, and West Coast;

- *Custom steel fabrication and erection:* GrayWolf offers engineering, design, fabrication, modularization, erection and additional services to the heavy commercial and industrial markets in the Southwest, Midwest, Gulf Coast and Southeast; and
- *Structural steel management:* GrayWolf provides turn-key steel fabrication and erection services with expertise in project management. Leveraging such strengths, GrayWolf uses its relationships with reliable subcontractors and erectors, along with state-of-the-art management systems, to deliver excellence to clients.

DBM Vircon provides steel detailing, rebar detailing, BIM modeling and BIM management services for industrial and infrastructure and commercial construction projects in Australia, New Zealand, Europe and North America.

- *Steel Detailing:* Utilizing industry leading technologies, DBM Vircon provides steel detailing services which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, NC files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping;
- *Rebar Detailing:* These services, including rebar detailing and estimating, are delivered by a staff experienced in rebar installation and familiar with the construction practices and constructability issues that arise on project sites. Deliverables include: field placement/shop drawings, field and/or phone support, 2D and 3D modeling, connection sketches, bar listing in ASA format, DGN files, and complete rebar estimating;
- *BIM Modeling:* Through multidisciplinary teams, DBM Vircon creates highly accurate, scaled virtual models of each structural component. These independent models and data are integrated and standardized to produce a single 3D model simulation of the entire structure using DBM Vircon's proprietary application, Visualizer. This integrated model contains complete information for all functional requirements of a project, including procurement and logistics, financial modeling, claims and litigation, fabrication, construction support and asset management;
- *BIM Management:* DBM Vircon is an industry leading provider of BIM management consultancy services ("BIM Management"), with clients ranging from government, industry organizations and general construction contractors. BIM Management of all project participants' input, use and development of the applicable model is integral to ensuring that the model remains the single point of reference. DBM Vircon's BIM Management service includes the governing of process and workflow management, which is a collection of defined model uses, workflows, and modeling methods used to achieve specific, repeatable and reliable information results from the model. The way the model is created and shared, and the sequencing of its application, impacts the effective and efficient use of BIM for desired project outcomes and decision support; and
- *Bridge Steel Detailing:* Utilizing industry leading technologies, DBM Vircon, through its wholly-owned subsidiary, Candraft VSI, provides steel detailing services for bridges which include: shop drawings, erection plans, anchor bolt drawings, connection sketches, DSTV files for cutting and drilling, DXF files for plate work, field bolt lists, specialist reports and advance bill of material and piping.

Aitken is a manufacturer of equipment used in the oil, gas, petrochemical and pipeline industries. Aitken supplies the following products both nationwide and internationally:

- *Strainers:* Temporary cone and basket strainers, tee-type strainers, vertical and horizontal permanent line strainers and fabricated duplex strainers;
- *Measurement Equipment:* Orifice meter tubes, orifice plates, orifice flanges, seal pots, flow nozzles, Venturi tubes, low loss tubes and straightening vanes; and
- *Major Products:* Spectacle blinds, paddle blinds, drip rings, bleed rings, and test inserts, ASME vessels, launchers and pipe spools.

Suppliers

DBMG currently purchases its steel from a variety of domestic and foreign steel producers and is not dependent on any one producer. During the year ended December 31, 2025, DBMG, through SSC and Banker Steel, purchased approximately 67.2% of the total value of steel and steel components from two domestic steel vendors. Refer to *Item 1A - Risk Factors - "Risks Related to the Infrastructure segment"* elsewhere in this document for discussion on DBMG's reliance on suppliers of steel and steel components.

Sales and Distributions

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

Marketing

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

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

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

Competition

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

Human Capital

As of December 31, 2025, DBMG's workforce was comprised of 3,525 full-time and 141 part-time employees, across the globe, including the U.S., Canada, Australia, India, the Philippines, New Zealand, Thailand and the UK. Part-time employees at DBMG include temporary employees, consultants and contractors. The number of people DBMG employs on an hourly basis fluctuates directly in relation to the amount of business DBMG performs. Certain of the fabrication and erection personnel DBMG employs are represented by various trade unions. DBMG is a party to several separate collective bargaining agreements with these unions in certain of its current operating regions, which expire (if not renewed) at various times in the future. Approximately 23.9% of DBMG's employees are covered under various collective bargaining agreements. As of December 31, 2025, most of DBMG's collective bargaining agreements are subject to automatic annual or other renewal unless either party elects to terminate the agreement on the scheduled expiration date. DBMG considers its relationship with its employees to be satisfactory and, other than sporadic and unauthorized work stoppages of an immaterial nature, none of which have been related to its own labor relations, DBMG has not experienced a work stoppage or other labor disturbance.

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

Legal, Environmental and Insurance

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

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

DBMG maintains commercial general liability insurance with umbrella coverage limits as well as professional liability insurance for professional services related to our work in steel erection and fabrication projects. DBMG also maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction of its facilities and property. All of DBMG's policies are consistent with our estimated exposure and are in line with market guidelines.

All policies are subject to various deductibles and coverage limitations. Although DBMG's management believes that its insurance is adequate for its present needs, there can be no assurance that it will be able to maintain adequate insurance at premium rates that management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Life Sciences Segment (Pansend Life Sciences, LLC)

Our Life Sciences segment is comprised of Pansend Life Sciences, LLC ("Pansend") which maintains a controlling interest of 80.0% in Genovel Orthopedics, Inc. ("Genovel"), which seeks to develop products to treat early osteoarthritis of the knee, and, as of December 31, 2025, also has a controlling interest of 81.0% in R2 Technologies, Inc. ("R2 Technologies"), which develops aesthetic and medical technologies for the skin. Pansend also invests in other early stage or developmental stage healthcare companies including a 44.6% interest in MediBeacon Inc. ("MediBeacon"), a 1.6% fully diluted interest in Triple Ring Technologies, Inc. ("Triple Ring"), and a 20.1% interest in Scaled Cell Solutions, Inc. ("Scaled Cell") as of December 31, 2025.

R2 Technologies, Inc.

R2 Technologies develops and commercializes breakthrough aesthetic medical and non-medical devices in the aesthetic dermatology market. Headquartered in Dublin, California, R2 Technologies is the world leader in CryoAesthetics™ medical devices. R2 Technologies' Glacial® platform for precision contact cooling of the skin has been shown to reduce inflammation and also brighten dark spots.

Skin lightening and brightening is a large and fast-growing segment of aesthetic dermatology. Current lightening products and/or procedures may be ineffective, unpredictable or even harmful, and patients often must compensate for lack of efficacy by using makeup or concealers. R2 Technologies developed the breakthrough CryoAesthetics™ technologies that uniquely deliver treatments that provide skin lightening, brightening, skin tone evening and reduction or elimination of hyperpigmentation and inflammation. R2's patented CryoModulation technology uses controlled cooling to suppress melanin, inflammation and discomfort by precisely controlling time and temperature to deliver an effective treatment with little social downtime.

Founded in 2014 by Pansend and Blossom Innovations, LLC, R2 Technologies exclusively licenses intellectual property developed at Massachusetts General Hospital ("MGH") and Harvard Medical School. In 2019, R2 Technologies brought on its strategic partner, Huadong Medicine Company, Ltd., ("Huadong"). In connection with Huadong's investment, R2 Technologies entered into a distribution agreement with Huadong under which R2 Technologies granted Huadong exclusive rights to distribute all of R2 Technologies' products in the Asia-Pacific region, and R2 Technologies is entitled to receive a share of Huadong's net sales from such products. In October 2025, R2 Technologies and Huadong entered into an amendment to the distribution agreement, which among other things, removed Huadong's exclusivity for distribution rights in the Asia-Pacific region, excluding China. This amendment became effective on January 1, 2026.

R2 Technologies currently has four products in various stages of commercialization and development:

1. Glacial Rx – Originally launched in the first quarter of 2021 in the United States after receiving U.S. Food and Drug Administration ("FDA") clearance for use in dermatologic procedures for the removal of benign lesions of the skin and for use when cooling is intended for the temporary reduction of pain, swelling, inflammation, and hematoma from minor surgical procedures. When used with R2 Technologies' Dermabrasion Tips, the intended use includes general dermabrasion, scar revision, acne scar revision and tattoo removal. The Glacial Rx system effectively and comfortably addresses these conditions, leaving the skin with a smoother and brighter appearance with little downtime for the patient. The Glacial Rx system is sold into medical practices and is operated by trained healthcare professionals.

2. Glacial Spa – Originally launched in the first half of 2022 in China after receiving China Non-Medical Classification, the Glacial Spa is a cooling experience used to even skin tone, and brighten and lighten skin and is intended to be operated by a trained aesthetician. The Glacial Spa system is being sold by Huadong’s existing sales force to spas. This product launched in the United States and Canada in 2023, marketed as Glacial fx. See below for more details on Glacial fx.
3. Glacial fx – Originally launched in the third quarter of 2023 in the United States and Canada, the Glacial fx is intended to brighten, calm, and stimulate healthy, youthful skin through its intelligent precision cooling technology. The Glacial fx system has expanded R2’s North America market into other countries and all practice types, including nonmedical and retail chains, and is intended to be operated by a trained aesthetician.
4. Glacial AI – Currently undergoing research and development, the Glacial AI is an autonomous, robotic cooling device focused on whole-body skin lightening and brightening.

Sales and Distribution

In the United States and Canada, R2 Technologies utilizes a direct sales force to sell Glacial Rx and Glacial fx. As of December 31, 2025, R2 Technologies had total full-time employees of 34 and 9 part-time employees. Part-time employees at R2 Technologies includes hourly employees, temporary employees and contractors.

In international markets, R2 Technologies sells Glacial Rx, Glacial fx and Glacial Spa through distributors. Currently, R2 Technologies has contracts with distributors to sell these products in Mexico, Bolivia, Colombia, Ecuador, Panama, Costa Rica, Guatemala, Dominican Republic, Peru, Spain, United Arab Emirates, Saudi Arabia, Bahrain, Qatar, Australia, Hong Kong, Singapore, Vietnam, China, United Kingdom, France, Kuwait, and India.

Seasonality and Quarterly Results

Our business is subject to moderate seasonal fluctuations. We typically experience the highest revenues and operating income in the fiscal fourth quarter and lowest revenues and operating income in the first fiscal quarter. As our business outside of the United States grows, seasonal fluctuations may smooth out. As a result, results for any interim period are not necessarily indicative of the results that may be achieved for the full fiscal year.

Competition

The medical technology and aesthetic product markets are highly competitive and dynamic and are characterized by rapid and substantial technological development and product innovations. Demand for our products could be limited by the products and technologies offered now or in the future by our competitors.

Due to less stringent regulatory requirements, there are many more aesthetic products and procedures available for use in international markets than are cleared for use in the United States. There are also fewer limitations on the claims our competitors in international markets can make about the effectiveness of their products and the manner in which they can market them. As a result, we face more competition in these markets than in the United States.

We also compete against medical technology and aesthetic companies, including those offering products and technologies unrelated to skin lightening and brightening, for physician resources and mind share. Some of our competitors have a broad range of product offerings, large direct sales forces, and long-term customer relationships, which could inhibit our market penetration efforts. Our potential customers also may need to recoup the cost of expensive products that they have already purchased from our competitors, and thus they may decide to delay or not to purchase our products.

We believe that our products compete favorably, largely based on the following competitive factors:

- Our products safely downregulate inflammation and pain, accelerate exfoliation and normalize melanin production. This is a breakthrough technology unlike any other currently available in the marketplace;
- Our products are versatile, providing customized treatment capabilities for patients of all ages and skin types making every aesthetic patient a candidate;
- Our products achieve measurable results with little to no patient discomfort and high patient satisfaction; and
- Glacial Rx is FDA cleared in the United States as a complementary treatment to improve the patient experience of most other pain or inflammation inducing treatments. This allows practices to offer a highly differentiated experience to existing customers and attract new business, generating additional revenue.

Governmental Approvals

The design, development, manufacture, testing and sale of our Glacial Rx product is subject to regulation by numerous governmental authorities, principally the FDA, and corresponding state and foreign regulatory agencies.

The Glacial Rx product (also known as the Dermal Cooling System) has received 510(k) clearance from the FDA as a cryosurgical instrument intended for the use in dermatologic procedures for the removal of benign lesions of the skin; temporary reduction of pain, swelling, inflammation and hematoma from minor surgical procedures; use of optional dermabrasion tip accessories for general dermabrasion, scar revision, acne scar revision, and tattoo removal; pain minimization, inflammation, and thermal injury during laser and dermatological treatments and for temporary anesthetic relief of injections.

We have received regulatory approval or are otherwise free to market the Glacial Rx product in numerous international markets. Any devices we manufacture or distribute pursuant to clearance or approval by the FDA are subject to pervasive and continuing regulation by the FDA and certain state agencies, including establishment registration and device listing with the FDA. We are required to adhere to applicable regulations detailed in the FDA's current Good Manufacturing Practices ("cGMP") as set forth in the Quality System Regulation, which include among other things, testing, control and documentation requirements. Non-compliance with these standards can result in, among other things, fines, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, refusal of the government to grant 510(k) clearance of devices, withdrawal of marketing approvals and criminal prosecutions. We and our contract manufacturer have designed and operate our manufacturing facilities under the FDA's cGMP requirements and are subject to periodic inspection by the FDA for compliance with regulatory requirements. Because we are a manufacturer of medical devices, we must also comply with medical device reporting requirements by reviewing and reporting to the FDA whenever there is evidence that reasonably suggests that one of our products may have caused or contributed to a death or serious injury. We must also report any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as "off-label" promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including substantial monetary penalties and criminal prosecution.

The Glacial fx product is generally considered a non-medical product, referred to as a wellness product or electrical product depending on individual country requirements. The Glacial fx product is managed under the same Quality Management System, excluding medical device design controls, as the Glacial Rx product which include, among other things, testing, control, and documentation requirements. The regulatory classification of the product varies from country to country and has been approved as a medical device in Colombia, Peru, Panama, and United Arab Emirates.

The regulatory review process for medical devices varies from country to country, and many countries also impose product standards, packaging requirements, environmental requirements, labeling requirements and import restrictions on devices. Each country has its own tariff regulations, duties, and tax requirements. All of these foreign regulatory requirements may change from time to time and our failure to comply with applicable foreign regulatory requirements may subject us to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions, criminal prosecution, or other adverse consequences.

In international markets, we are required to obtain and maintain various quality assurance and quality management certifications. We have obtained the following international certifications: EN ISO 13485:2016 Medical Devices - Quality Management Systems - Requirements for regulatory purposes and Medical Device Single Audit Program (US, Canada, and Australia). In November 2024, we successfully completed a re-certification audit by our Certification Body, Société Générale de Surveillance ("SGS").

Sources of Raw Materials and Suppliers

We depend upon one contract manufacturer to build our products. We rely on purchase orders rather than long-term contracts with our contract manufacturer, which mitigates some risks, including price increases. However, this subjects us to other risks such as component material shortages. We continue to evaluate alternative sources of supply for these components and materials.

Patents and Proprietary Technology

To establish and protect our proprietary technologies and products, we rely on a combination of patent, copyright, trademark, and trade-secret laws, as well as confidentiality provisions in our contracts. We have implemented a patent strategy designed to protect our technology and facilitate commercialization of our current and future products. As of December 31, 2025, our patent portfolio comprised 129 issued patents and 7 pending patent applications, each of which we either own directly or for which we are the exclusive licensee. Our intellectual property portfolio for our CryoModulation technology was built through the combination of licensing patents from third parties and the issuance of new patents to us as the result of our ongoing development activities. Many of our issued and pending patents were exclusively licensed from General Hospital Corporation, which owns and operates the MGH and generally relate to our core technology. In general, patents have a term of 20 years from the application filing date or earliest claimed priority date. We expect our issued and exclusively licensed patents to expire in 2035 or later.

We also rely on trade secrets, technical know-how, contractual arrangements, and continuing innovation to protect our intellectual property and maintain our competitive position. We have a policy to enter into confidentiality agreements with third parties, employees, and consultants. We also have a policy that our employees and consultants sign agreements requiring that they assign to us their interests in intellectual property such as patents and copyrights arising from their work for us.

Patent License Agreement

On December 8, 2014, the Company entered into a Patent License Agreement with MGH, whereby R2 Technologies may use certain licensor assets and patent rights for the commercial development, manufacturing, distribution and use in products and processes. The agreement, as amended, calls for royalties to be paid at 8% of net sales of all products and processes with minimum guarantees. All milestones associated with the license agreement with MGH were completed in prior years and we made all required license fee and milestone payments to MGH in accordance with the Patent License Agreement, as amended. We continue to pay the royalty on net sales as required by the agreement and currently have no additional obligations to MGH resulting from any sublicensing agreement.

MediBeacon, Inc.

MediBeacon is a medical technology company specializing in the advances of fluorescent tracer agents and transdermal measurement. MediBeacon has developed a system that enables point of care assessment of kidney function. The Transdermal GFR System ("TGFR") is comprised of the TGFR Sensor, TGFR Monitor, and Lumitrace (relmapirazin), which, together, allow assessment of the kidney function by measuring the clearance rate of the fluorescent agent as it leaves the body. The system records Lumitrace fluorescence intensity transdermally as a function of time via a sensor placed on the skin. The TGFR Sensor records 2.5 fluorescent readings per second, and the TGFR Monitor will display the average session TGFR reading at the patient's bedside or in the outpatient setting.

On October 22, 2018, the FDA granted Breakthrough Device designation to the TGFR for the measurement of Glomerular Filtration Rate ("GFR") in patients with impaired or normal kidney function. The FDA granted the TGFR a Breakthrough Device Designation because better tools are needed for the management of kidney patients, and this technology has the potential to provide for more effective patient management. Chronic kidney disease is estimated to affect more than 800 million people worldwide and is a leading cause of mortality worldwide. Under the Breakthrough Device program, the FDA works with companies to expedite regulatory review in order to give patients more timely access to innovative diagnostic and therapeutic technologies. MediBeacon completed its U.S. phase 3 TGFR Pivotal Study in the first quarter of 2023 and during the second quarter of 2023, submitted the results of the study to the FDA, and the results were published in April 2024 on the National Institutes of Health ("NIH") clinical studies website.

On January 17, 2025, the FDA approved MediBeacon's TGFR for the assessment of kidney function in patients with normal or impaired renal function. The TGFR is validated for use in the assessment of Glomerular Filtration Rate (GFR) in patients with stable kidney function at the point of care. The TGFR utilizes an intravenous Lumitrace injection but does not require blood draws or urine analysis, unlike current methodologies requiring multiple blood draws or urine samples. In addition, current clinical practice measured GFR (mGFR) assessment requires sophisticated clinical laboratory analysis away from the patient's point of care.

In February 2025, China's National Medical Products Administration ("NMPA") approved MediBeacon's TGFR Monitor and TGFR Sensor. Full regulatory approval from China's NMPA occurred in October 2025, following its approval for the categorization of the Lumitrace (relmapirazin) injection as a drug in China.

On December 16, 2025, the FDA approved the next generation MediBeacon TGFR System including the latest TGFR Reusable Sensor. The latest TGFR Reusable Sensor has been designed for patient comfort, ease of application, and reusability. It also lowers the cost compared to the single use TGFR Sensor previously approved by the FDA.

MediBeacon expects to begin initial sales of the TGFR System to select academic medical centers in the first quarter of 2026 in the United States and China.

MediBeacon fluorescent tracer agent-based monitoring systems hold promise in a range of potential medical applications, including:

- Gastrointestinal permeability, which has the potential to transform management of autoimmune and inflammatory diseases, including Crohn's disease. Grants from the Bill and Melinda Gates Foundation, in collaboration with scientists at Washington University School of Medicine in St. Louis and the Mayo Clinic, have supported MediBeacon's research in this area. The first in-human clinical studies were completed to study the feasibility of using fluorescent tracer agent-based systems to quantify the permeability of the gastrointestinal tract in patients with active Crohn's disease.
- Ocular angiography, which has the potential to diagnose and monitor vasculature leakage in the eye, a key factor in diagnosing and monitoring various diseases, including macular degeneration, diabetic retinopathy and retinal vasculitis while avoiding current potential clinical side effects such as allergic reactions, nausea and vomiting. MediBeacon was the recipient of a Small Business Innovation Research grant supported by the National Eye Institute of the NIH. MediBeacon is pursuing research into the use of Lumitrace to visualize vasculature in the eye.
- Surgical visualization feasibility, which has the potential to be used in open, laparoscopic and robotic surgeries to identify critical structures (e.g. ureters), tumor margins and blood flow in tissues in real-time. Research in this area is underway.

In 2015, Pansend Life Sciences became the largest equity investor in MediBeacon. In 2019, MediBeacon entered into a \$30 million investment and exclusive commercialization partnership in Greater China with Huadong, under which MediBeacon granted Huadong the exclusive rights to distribute all of MediBeacon's products in Greater China, and MediBeacon will receive royalty payments on net sales of the TGFR system. Under this agreement, Huadong is also responsible for funding clinical trials, commercial and regulatory activities relating to the TGFR system in 25 countries in the Asia-Pacific region, including Greater China. MediBeacon received the first \$15 million tranche during 2019 at a pre-money valuation of approximately \$300 million. In 2020, Huadong amended their agreements to provide for Huadong to prepay, at a minimum, \$20 million of future China royalties to fund registration of the TGFR system as a Class 1 device in China, allowing it to immediately enter the Chinese hospital system. As of December 31, 2025, approximately \$31.4 million had been received by MediBeacon.

In November 2022, MediBeacon and Huadong amended their existing agreements for Huadong to provide approximately \$10 million in additional funding to MediBeacon including, at a minimum, an additional \$2.5 million in prepayment of future China royalties to accelerate other pre-commercialization activities. On February 23, 2023, pursuant to its amended commercial partnership with Huadong, MediBeacon issued \$7.5 million of its preferred stock to Huadong, accelerating 50% of the remaining \$15 million cash milestone investment due upon FDA approval of MediBeacon's TGFR.

In January 2025, upon FDA approval, pursuant to the terms of MediBeacon's convertible notes, Pansend's convertible notes and the related accrued interest together totaling \$12.9 million were converted into Series 3 Preferred Stock. In addition, pursuant to its amended commercial partnership with Huadong and, as a result of FDA approval, a \$7.5 million investment in its preferred stock by Huadong was received in the first quarter of 2025 at a pre-money valuation of approximately \$420 million. As a result of these transactions, Pansend's ownership in MediBeacon decreased from approximately 45.9% prior to the transaction to approximately 44.7% subsequent to the transaction. On a fully diluted basis, Pansend's ownership in MediBeacon decreased from 40.1% prior to the transaction to 39.7% subsequent to the transaction. As of December 31, 2025, Pansend's ownership in MediBeacon was 44.6% or 39.4% on a fully diluted basis.

Genovel Orthopedics, Inc.

Genovel is a medical device company developing novel partial and total knee replacements for the treatment of osteoarthritis of the knee based on patented technology developed at New York University School of Medicine.

Triple Ring Technologies, Inc.

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

Scaled Cell Solutions, Inc.

Scaled Cell is an immunotherapy company developing a novel autologous cell therapy system to potentially improve current chimeric antigen receptor T-cell ("CAR-T") treatments.

Spectrum Segment (HC2 Broadcasting Holdings Inc.)

HC2 Broadcasting Holdings Inc., ("HC2B" and together with its subsidiaries, "Broadcasting"), a majority-owned subsidiary of INNOVATE, is an owner and operator of broadcast television ("TV") stations throughout the U.S. and an avenue for high-end content providers to deliver their product over-the-air ("OTA") to more homes and, ultimately, mobile devices, including through fifth-generation mobile network ("5G") channels, the technology of which is currently being explored. Broadcasting's stations are interconnected to an internet protocol network backbone, which allows Broadcasting to monitor and operate the stations remotely, resulting in significant cost efficiencies.

In connection with the Spectrum Notes Extension, INNOVATE entered into a related side letter (the "Spectrum Letter") with the lenders, which required us to meet certain milestones with respect to strategic alternatives for the Spectrum segment, such that, if the Spectrum Notes are not repaid in full in cash on or before November 1, 2025, the side letter provides that we are required to commence an alternative strategic process for HC2B which includes a sale of HC2B with the net proceeds to be applied to the Spectrum Notes. The November 1, 2025 milestone was not reached and in accordance with the Spectrum letter, management initiated a strategic process for HC2B. We have met or extended all milestones associated with the sale as of December 31, 2025. Subsequent to year-end, the December 31, 2025 milestone for a confidential information memorandum and bid process letter was met on the revised date of January 8, 2026. The February 1, 2026 milestone for the submission of at least one bona fide indication of interest in an HC2B sale was waived. The March 1, 2026 milestone for an executed letter of intent regarding an HC2B sale was extended to March 27, 2026. As of the date of this Annual Report on Form 10-K, we are in compliance with the milestone covenants.

As of December 31, 2025, Broadcasting operated 257 stations, including three Full Power stations, 53 Class A stations and 201 Low Power Television ("LPTV") stations. Broadcasting stations are collectively able to broadcast approximately 2,000 subchannels and reach 112 markets in the U.S., and Puerto Rico, including 39 of the top 40 markets. Broadcasting has approximately 112 stations concentrated in the top 40 markets.

Operating Broadcast Stations

Below are Broadcasting's operating stations as of December 31, 2025, listed by call sign and market rank:

Market	Market Rank ^(a)	Station	Service
New York, NY	1	WKOB-LD	LPTV Station
		W02CY-D	LPTV Station
Los Angeles, CA	2	KHIZ-LD	LPTV Station
		KSKJ-CD	Class A Station
Chicago, IL	3	WPVN-CD	Class A Station
		W31EZ-D	LPTV Station
		KPDS-LD	LPTV Station
Dallas - Ft. Worth, TX	4	KHPK-LD	LPTV Station
		KPFW-LD	LPTV Station
		KNAV-LD	LPTV Station
		KODF-LD	LPTV Station
		K07AAD-D	LPTV Station
Philadelphia, PA	5	KJJM-LD	LPTV Station
		WDUM-LD	LPTV Station
		WZPA-LD	LPTV Station
		W25FG-D	LPTV Station
Houston, TX	6	WPSJ-CD	Class A Station
		KUVM-LD	LPTV Station
		KUGB-CD	Class A Station
		KUVM-CD	Class A Station
		KBMN-LD	LPTV Station
Atlanta, GA	7	KEHO-LD	LPTV Station
		WYGA-CD	Class A Station
		WUVM-LD	LPTV Station
		WDWW-LD	LPTV Station
Washington, DC	8	W13DW-D	LPTV Station
Boston, MA	9	WLEK-LD	LPTV Station
San Francisco - Oakland - San Jose, CA	10	KQRO-LD	LPTV Station
		KEMO-TV	Full Power Station
Tampa - St Petersburg - Sarasota, FL	11	W31EG-D	LPTV Station
		W16DQ-D	LPTV Station
		WXAX-CD	Class A Station
		WTAM-LD	LPTV Station
Phoenix - Prescott, AZ	12	K12XP-D	LPTV Station
		KTVP-LD	LPTV Station
		KPDF-CD	Class A Station
Seattle, WA	13	KUSE-LD	LPTV Station
Detroit, MI	14	WDWO-CD	Class A Station
		WUDL-LD	LPTV Station
Orlando - Daytona Beach - Melbourne, FL	15	WATV-LD	LPTV Station
		WFEF-LD	LPTV Station
Minneapolis - St. Paul, MN	16	KWJM-LD	LPTV Station
		KJNK-LD	LPTV Station
		K33LN-D	Class A Station
		K28PQ-D	LPTV Station
		KMBD-LD	LPTV Station
Denver, CO	17	KMRD-LD	LPTV Station
Miami - Ft. Lauderdale, FL	18	W16CC-D	LPTV Station
Cleveland - Akron - Canton, OH	19	WQDI-LD	LPTV Station
		WUEK-LD	LPTV Station

	WEKA-LD	LPTV Station
	KONV-LD	LPTV Station
Sacramento - Stockton - Modesto, CA	20 KBIS-LD	LPTV Station
	K04QR-D	LPTV Station
	KFTY-LD	LPTV Station
	KBTV-CD	Class A Station
	KFKK-LD	LPTV Station
	KAHC-LD	LPTV Station
	KFMS-LD	LPTV Station
	K36QQ-D	LPTV Station
Charlotte, NC	21 WVEB-LD	LPTV Station
	W15EB-D	Class A Station
	WHEH-LD	LPTV Station
Raleigh - Durham - Fayetteville, NC	22 WNCB-LD	LPTV Station
	WIRP-LD	LPTV Station
Portland, OR	23 KOXI-CD	Class A Station
St. Louis, MO	24 KPTN-LD	LPTV Station
	K25NG-D	Class A Station
	KBGU-LD	LPTV Station
	W09DL-D	LPTV Station
	WODK-LD	LPTV Station
	WLEH-LD	LPTV Station
Indianapolis, IN	25 WUDZ-LD	LPTV Station
	WSDI-LD	LPTV Station
	WQDE-LD	LPTV Station
Nashville, TN	26 WCTZ-LD	LPTV Station
	WKUW-LD	LPTV Station
Pittsburgh, PA	27 WJMB-CD	Class A Station
	WWLM-CD	Class A Station
	WMVH-CD	Class A Station
	WKHU-CD	Class A Station
	WWKH-CD	Class A Station
Salt Lake City, UT	28 KBTU-LD	LPTV Station
Baltimore, MD	29 WQAW-LD	LPTV Station
San Diego, CA	30 KSKT-CD	Class A Station
San Antonio, TX	31 K17MJ-D	LPTV Station
	KOBS-LD	LPTV Station
	K25OB-D	Class A Station
	KSAA-LD	LPTV Station
	KVDF-CD	Class A Station
	KISA-LD	LPTV Station
	KSSJ-LD	LPTV Station
Hartford - New Haven, CT	32 WTXH-LD	LPTV Station
	WRNT-LD	LPTV Station
Kansas City, MO	33 KAJF-LD	LPTV Station
	KCMN-LD	LPTV Station
	KQML-LD	LPTV Station
Austin, TX	34 KGBS-CD	Class A Station
	KVAT-LD	LPTV Station
Columbus, OH	35 WDEM-CD	Class A Station
Greenville-Spartanburg-Asheville, SC	36 W22EY-D	LPTV Station
Milwaukee, WI	38 WTSJ-LD	LPTV Station
West Palm Beach - Ft. Pierce, FL	39 WDOX-LD	LPTV Station
	WWCI-CD	Class A Station
	WXOD-LD	LPTV Station
Las Vegas, NV	40 KNBX-CD	Class A Station
	KHDF-CD	Class A Station

	KEGS-LD	LPTV Station
	KVPX-LD	LPTV Station
	K36NE-D	Class A Station
Jacksonville, FL	41 WODH-LD	LPTV Station
	WKBJ-LD	LPTV Station
	WJXE-LD	LPTV Station
	WRCZ-LD	LPTV Station
Birmingham - Anniston - Tuscaloosa, AL	45 WUOA-LD	LPTV Station
	WUDX-LD	LPTV Station
Oklahoma City, OK	47 KTOU-LD	LPTV Station
	KBZC-LD	LPTV Station
	KOHC-CD	Class A Station
Albuquerque - Santa Fe, NM	48 KQDF-LD	LPTV Station
	KWPL-LD	LPTV Station
Louisville, KY	49 WKUT-LD	LPTV Station
New Orleans, LA	50 WTNO-CD	Class A Station
	WQDT-LD	LPTV Station
Memphis, TN	51 W15EA-D	Class A Station
	WPED-LD	LPTV Station
	KPMF-LD	LPTV Station
	WQEK-LD	LPTV Station
	WQEO-LD	LPTV Station
Ft. Myers - Naples, FL	53 WGPS-LD	LPTV Station
Buffalo, NY	54 WWHC-LD	LPTV Station
	WVTT-CD	Class A Station
Fresno - Visalia, CA	55 K17JI-D	Class A Station
	KZMM-CD	Class A Station
Richmond - Petersburg, VA	56 WUDW-LD	LPTV Station
	WWBK-LD	LPTV Station
	WFWG-LD	LPTV Station
Mobile, AL - Pensacola, FL	57 WWBH-LD	LPTV Station
	WEDS-LD	LPTV Station
Little Rock - Pine Bluff, AR	58 KWMO-LD	LPTV Station
	K23OW-D	LPTV Station
	KENH-LD	LPTV Station
Knoxville, TN	60 W19FF-D	LPTV Station
Tulsa, OK	61 KZLL-LD	LPTV Station
	KUOC-LD	LPTV Station
Des Moines - Ames, IA	67 KRPG-LD	LPTV Station
	KAJR-LD	LPTV Station
	KCYM-LD	LPTV Station
Wichita - Hutchinson, KS	71 KFVT-LD	LPTV Station
Flint - Saginaw - Bay City, MI	72 WFFC-LD	LPTV Station
	W35DQ-D	LPTV Station
Omaha, NE	73 KQMK-LD	LPTV Station
	KAJS-LD	LPTV Station
Springfield, MO	74 KFKY-LD	LPTV Station
	KCNH-LD	LPTV Station
Huntsville - Decatur - Florence, AL	75 W34EY-D	Class A Station
Madison, WI	77 W23BW-D	Class A Station
	WZCK-LD	LPTV Station
Rochester, NY	79 WGCE-CD	Class A Station
Harlingen - Weslaco - Brownsville - McAllen, TX	80 KNWS-LD	LPTV Station
	KRZG-CD	Class A Station
	KAZH-LD	LPTV Station
Charleston - Huntington, WV	82 WOCW-LD	LPTV Station
Waco - Temple - Bryan, TX	83 KZCZ-LD	LPTV Station

	KAXW-LD	LPTV Station
	K20KJ-D	LPTV Station
Savannah, GA	84 WDID-LD	LPTV Station
	WUET-LD	LPTV Station
Charleston, SC	85 WBSE-LD	LPTV Station
Chattanooga, TN	86 WYHB-CD	Class A Station
Paducah, KY - Cape Girardeau, MO - Harrisburg, IL	90 W29CI-D	Class A Station
Shreveport, LA	91 K36MU-D	LPTV Station
Champaign - Springfield - Decatur, IL	92 WCQA-LD	LPTV Station
	WEAE-LD	LPTV Station
	W23EW-D	LPTV Station
Cedar Rapids - Waterloo - Iowa City, IA	94 KFKZ-LD	LPTV Station
	K17MH-D	LPTV Station
Baton Rouge, LA	95 K27NB-D	LPTV Station
	K29LR-D	LPTV Station
Ft. Smith - Fayetteville - Springdale - Rogers, AR	96 KAJL-LD	LPTV Station
	KFLU-LD	LPTV Station
Myrtle Beach - Florence, SC	97 W33DN-D	LPTV Station
Boise, ID	98 K17ED-D	Class A Station
	KFLL-LD	LPTV Station
	KBKI-LD	LPTV Station
	K31FD-D	Class A Station
Greenville - New Bern - Washington, NC	102 W35DW-D	LPTV Station
Reno, NV	103 K07AAI-D	LPTV Station
Tallahassee, FL - Thomasville, GA	105 W21EL-D	LPTV Station
Tyler - Longview- Nacogdoches, TX	106 KDKJ-LD	LPTV Station
	KCEB	Full Power Station
	KBJE-LD	LPTV Station
	KKPD-LD	LPTV Station
	KPKN-LD	LPTV Station
Lincoln - Hastings - Kearney, NE	107 KIUA-LD	LPTV Station
Augusta, GA - Aiken, SC	108 WIEF-LD	LPTV Station
Evansville, IN	109 WDLH-LD	LPTV Station
	WELW-LD	LPTV Station
	WEIN-LD	LPTV Station
Ft. Wayne, IN	110 WCUH-LD	LPTV Station
	W30EH-D	LPTV Station
	W25FH-D	LPTV Station
	WFWC-CD	Class A Station
	WODP-LD	LPTV Station
Fargo - Valley City, ND	113 K15MR-D	LPTV Station
Yakima - Pasco - Richland - Kennewick, WA	114 K33EJ-D	Class A Station
	K28QK-D	LPTV Station
Traverse City - Cadillac, MI	116 W36FH-D	LPTV Station
Macon, GA	119 W28EU-D	LPTV Station
	WJDO-LD	LPTV Station
Eugene, OR	120 KORY-CD	Class A Station
	K06QR-D	LPTV Station
Montgomery - Selma, AL	121 WDSF-LD	LPTV Station
	WQAP-LD	LPTV Station
Peoria - Bloomington, IL	122 W27EQ-D	LPTV Station
Santa Barbara - San Luis Obispo, CA	123 KLDF-CD	Class A Station
	KQMM-CD	Class A Station
	KDFS-CD	Class A Station
	KVMM-CD	Class A Station
	KSBO-CD	Class A Station
	KZDF-LD	LPTV Station

Lafayette, LA	124 K21OM-D	LPTV Station
Bakersfield, CA	125 KXBF-LD	LPTV Station
	KTLD-CD	Class A Station
Wilmington, NC	126 WQDH-LD	LPTV Station
Columbus, GA - Opelika - Auburn, AL	127 W29FD-D	LPTV Station
	W31EU-D	LPTV Station
Monterey - Salinas, CA	128 K09AAF-D	LPTV Station
La Crosse - Eau Claire, WI	129 W23FC-D	LPTV Station
Corpus Christi, TX	130 K21OC-D	LPTV Station
	KCCX-LD	LPTV Station
	K32OC-D	LPTV Station
	KYDF-LD	LPTV Station
Amarillo, TX	132 KAUO-LD	LPTV Station
	KLKW-LD	LPTV Station
Columbia - Jefferson City, MO	135 K35OY-D	LPTV Station
Lubbock, TX	140 K32OV-D	LPTV Station
	KNKC-LD	LPTV Station
Topeka, KS	141 K35KX-D	LPTV Station
Palm Springs, CA	145 K21DO-D	Class A Station
Joplin, MO - Pittsburg, KS	151 KRLJ-LD	LPTV Station
	KPJO-LD	LPTV Station
Bangor, ME	156 W32FS-D	LPTV Station
	W20ER-D	LPTV Station
Biloxi-Gulfport, MS	158 W33EG-D	LPTV Station
Terre Haute, IN	159 W24FB-D	LPTV Station
Jackson, TN	174 WYJJ-LD	LPTV Station
Quincy, IL - Hannibal, MO - Keokuk, IA	175 WVDM-LD	LPTV Station
	K14SU-D	LPTV Station
Bowling Green, KY	180 WCZU-LD	LPTV Station
Puerto Rico	WWKQ-LD	LPTV Station
	WOST	Full Power Station
	W20EJ-D	LPTV Station
	W27DZ-D	LPTV Station
	WQQZ-CD	Class A Station

(a) Rankings are based on the relative size of a station's Designated Market Area ("DMA") among the 210 generally recognized DMAs in the United States.

Broadcast Operations

Broadcasting carries 58 networks on its stations, distributing content across the U.S. Broadcasting provides free OTA programming to television viewing audiences in the communities it serves. The programming Broadcasting distributes includes networks targeting shopping, weather, sports and entertainment programming, as well as religious networks and networks targeting select ethnic groups.

Revenues

Broadcasting revenue is generated primarily from the sale of television airtime in return for a fixed fee or a portion of the third-parties' related advertisement sales, principally from channel leases and revenue sharing agreements with minimum guarantees included within certain contracts. In a typical broadcast station revenue agreement, we, as the owner/licensee of a station, make available, for a fee, airtime on one or multiple of our station subchannel(s) to a third party. The third party broadcasts its content during that airtime and collects revenue from any advertising it airs during such content. Broadcast station revenue is recognized over the life of the contract, when the program is broadcast. The fees charged can be fixed or variable, and the contracts that the Company enters into are generally short-term in nature; however, initial contract periods may exceed one year in length. Variable fees are usage/sales-based and are recognized as revenue when the subsequent usage occurs.

Strategy

Broadcasting's strategy includes the following initiatives:

- Broadcasting is principally designed to be a nationwide OTA distribution platform, targeting the growing number of OTA households in the U.S.;
- Broadcasting's vision is to capitalize on the opportunities to bring valuable content to more viewers over-the-air and to position itself for the changing media landscape and to take advantage of the technology advances rapidly underway in the industry;
- As of December 31, 2025, 252 operating stations are connected to Broadcasting's cloud-based IP backbone and can be operated and monitored remotely, allowing for substantial cost savings and operating efficiencies. In 2018, Federal Communications Commission ("FCC") deregulation in TV broadcasting eliminated the need for full time employees and studio facilities in markets where Broadcasting operates Full Power and Class A stations, thus allowing Broadcasting to operate these stations remotely at greater cost efficiency;
- Broadcasting's major focus is to attract the highest quality content providers looking for nationwide distribution. With its national footprint and cloud-based infrastructure, Broadcasting also expects to realize premium pricing for content distribution;
- Broadcasting's growing revenue source is from providing national carriage to content providers. Carriage contracts pricing is in part determined by the signal contour of the broadcast station and the number of OTA TV households in a given market, as well as market supply and demand; and
- Broadcasting's broad portfolio of stations and our redundant coverage in major markets facilitates our ability to explore new revenue streams from other uses of our spectrum without impairing our legacy broadcast revenues. This includes converting technology used by existing stations to new standards such as the Advanced Television Systems Committee's standards ("ATSC 3.0") to explore light housing and datacasting revenue opportunities. Also, it allows us to trial 5G broadcasting to determine the viability of commercial revenues over time.

Competition

Our television stations compete in the U.S. domestic media market for multicast network tenants, viewer audiences and advertisers. In the last several years, there has been increasing competition from not just cable channels but also streaming services, digital platforms, social media, and internet-delivered video channels. These media platforms have taken market share from OTA broadcast stations like ours. Full Power stations delivering OTA multicast networks also represent direct competition in all our markets. Because our stations are mostly LPTVs and Class A stations, our signal coverage of a market is often less than that of Full Power stations, resulting in a competitive advantage for Full Power stations. As a result of improvements in digital compression technology over the last several years, many Full Power stations have increased the number of subchannels that they can lease to OTA multicast networks, resulting in increased competition in many of our markets over the last several years.

Because nearly all our stations are LPTV and Class A, they do not have primary channel "must carry" rights and, therefore, have no signal coverage and carriage on multiple video program distribution ("MVPD") systems. Our lack of MVPD distribution materially affects our television stations' competitive position in attracting programmers and viewers. Specifically, MVPD systems can increase a broadcasting station's competition for viewers in a market by providing both cable networks and distant television station signals not otherwise available to the station's audience. Other sources of competition for audiences, programming and advertisers include streaming services, connected televisions, internet websites, mobile applications and wireless carriers, direct-to-consumer video distribution systems, and home entertainment systems. Recent developments by many companies, including internet streaming service providers and internet website operators, have expanded, and are continuing to expand, the variety and quality of broadcast and non-broadcast video programming available to consumers via the internet. Internet companies have developed business relationships with companies that have traditionally provided syndicated programming, network television and other content. As a result, additional programming has, and is expected to further become, available through non-traditional methods, which can directly impact the number of OTA TV viewers, and, thus, indirectly impact station revenues.

Government Approvals and Regulation

Federal broadcasting industry regulations limit our operating flexibility. The Federal Communications Commission ("FCC") regulates all local television broadcasters, including us. We must obtain FCC approval whenever we (i) apply for a new license; (ii) seek to renew or modify a license; (iii) purchase or sell a broadcast station license; and/or (iv) assign or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations, and we cannot operate without them. Our FCC licenses must be renewed every eight years. The current television license renewal cycle began in 2020, and all our licenses have been renewed as of the filing date of this Form 10-K. The weighted-average period prior to the next renewal for FCC licenses was 4.4 years and 5.4 years as of December 31, 2025 and 2024, respectively. While we cannot be certain that we will always obtain renewal grants in the future from the FCC, the FCC has historically renewed the Company's broadcast licenses in substantially all cases. The Company does not believe that the expiration or non-renewal of any of our FCC licenses would have a material adverse effect on the expected future cash flows and profitability.

The FCC can sanction us for programming broadcast on our stations that it finds to be indecent. Over the past several years, the FCC has increased its enforcement efforts regarding broadcast indecency and profanity. Additionally, our Full-Power stations and Class A stations are subject to additional FCC rules regarding the airing of mandatory children's programming and local content. While we have measures in place to remain compliant, shortfalls in required programming for Full-Power stations and Class A stations may result in financial penalties levied by the FCC or, in worst cases, the loss of license.

Federal legislation and FCC rules have changed significantly in recent years and may continue to change. These changes may affect our ability to conduct our business in ways that we believe would be advantageous and may impact our operating results.

ATSC 3.0

ATSC 3.0, is the next generation broadcast technology standard defining how television signals are broadcast and interpreted ("NextGen TV"). ATSC 3.0 is an enhancement to previous broadcast technology standards, providing enhanced picture and audio quality, mobility, addressability, increased capacity, and IP connectivity. ATSC 3.0 will offer a platform to merge linear programming and non-TV data services alongside OTA and over-the-top ("OTT"). As ATSC 3.0 provides for a more efficient use of spectrum, this could enable us to provide expanded or additional services to new and existing customers. Among the many emerging opportunities may be hyper-local news, weather, and traffic; dynamic ad insertion; geographic and demographic targeted advertising; customizable content; better measurement and analytics; the ability to share data with devices connected to the Internet; flexibility to add streams as needed; an ultra-high definition picture quality with enhanced immersive audio; and connectivity to automobiles. In addition, ATSC 3.0 may provide new emergency capabilities including advanced alerting functions which can relay evacuation routes and device wake-up features. Many of these may be available to mobile devices. Currently, Broadcasting is exploring commercial opportunities in datacasting on our platform that may offer incremental revenue opportunities over the next year.

Human Capital

As of December 31, 2025, Broadcasting employed 17 full-time employees and 1 part-time employee across the U.S.

Environmental Regulation and Laws

Our operations and properties, including those of DBMG, are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those concerning emissions into the air, discharge into waterways, generation, storage, handling, treatment and disposal of waste materials and health and safety of employees. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. These laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

Compliance with federal, state and local provisions regulating the discharge of materials into the environment or relating to the protection of the environment has not had a material impact on our capital expenditures, earnings or competitive position. Based on our experience to date, we do not currently anticipate any material adverse effect on our business or consolidated financial position, results of operations or cash flows as a result of future compliance with existing environmental laws and regulations. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which may be material. Accordingly, there can be no assurance that we will not incur significant environmental compliance costs in the future.

Corporate Information

INNOVATE, a Delaware corporation, was incorporated in 1994. Our Internet address is www.innovatecorp.com. We make available free of charge through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the United States Securities and Exchange Commission (the "SEC"). The information on our website is not a part of this Annual Report on Form 10-K. Our reports filed with the SEC may be accessed at the SEC's website at www.sec.gov.

The information required by this item relating to our executive officers, directors and code of conduct is set forth in Item 10 of this Form 10-K. Information relating to our Audit Committee and Audit Committee Financial Expert will be set forth in our 2026 Proxy Statement under the Caption "Board Committees" and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Summary of Risk Factors

Investing in our common stock involves a high degree of risk. These risks are discussed more fully below and include, but are not limited to, the following, any of which could have a material adverse effect on our financial condition, results of operations and cash flows:

Risks Related to Our Businesses

- The ability of our subsidiaries to make distributions, our principal source of cash
- Substantial doubt about our ability to continue as a going concern
- Our levels of indebtedness, financing arrangements and other obligations
- Restrictive covenants in our debt and preferred stock instruments, including covenants in or associated with certain of our debt instruments that requires us to dispose of material assets or operations to meet our obligations.
- Ability to meet working capital and long term liquidity requirements
- Dependence on key personnel and ability to attract and retain skilled personnel
- Any identified material weaknesses in our internal controls
- Constraints in the labor market and increases in labor costs
- Foreign exchange rate volatility and inflation
- Impact of competition on our business
- Impact of any potential future acquisitions and ability to manage future growth and the incurrence of substantial costs in connection with acquisitions
- Cyber-attacks and other privacy or data security incidents
- Managing growth related to increased operational size
- Ability to fully utilize net operating loss and other tax carryforwards
- Risk of restated financial statements
- Presentation of corporate opportunities by certain current and former directors and officers and the impact of related party transactions
- Our status as a non-investment company
- Impact of potential litigation
- Deterioration of global economic conditions and the impact of operating globally
- Impact of climate change
- Compliance costs related to our acquired businesses
- Ability of our development stage companies to produce revenues or income
- Adverse tax impact of our acquisitions or dispositions
- Lack of sole control in joint venture investments
- Ability to protect our intellectual property
- Potential dilution of our current stockholders
- Effect of future sales of common stock by preferred stockholders
- Common stock price fluctuations
- Prevention of potential takeover due to Delaware law and charter documents
- Activist stockholders
- Adoption of artificial intelligence ("AI") and government regulation

Risks Related to the Infrastructure segment

- Unpredictability in timing of DBMG's construction contracts and payments thereunder
- Impact of construction contract pricing terms, including fixed-price and cost-plus pricing
- New or increased import tariffs on steel or other materials and the impact of fluctuations in other costs and inflation
- Termination or cancellation of construction projects
- Increased concentration of construction projects in backlog
- Ability to realize revenue value reported in backlog
- Ability to meet contractual schedule or performance requirements
- Modification or termination of government contracts
- Reliability of subcontractors and third-party vendors
- Volatility in the supply and demand for steel and steel components
- Dependability of steel component suppliers and the impact of changes in costs and tariffs
- Intense competition in construction markets
- Ability of customers to receive applicable regulatory and environmental approvals
- Impact of failure to obtain or maintain required licenses
- Impact of bonding and letter of credit capacity
- Variability in liquidity over time
- Exposure to professional liability, product liability, warranty and other claims
- Impact of environmental compliance costs
- Impact of potential litigation
- Union labor disruptions that would interfere with operations
- Ability to maintain safe work environment

Risks related to the Life Sciences segment

- Significant fluctuations in Pansend's operating results
- Indebtedness of R2 Technologies that will mature on August 1, 2026
- High levels of competition in the life sciences space, competition in general and competitive developments in the market
- Reliance on third parties for sales, marketing, manufacturing and/or distribution, including delivery service providers

- Risks associated with potential disruptions in our operations
- Lack of significant current and historical operating revenue and risks associated with the implementation of our growth strategy
- Customer demand, patient satisfaction with procedures, and the impact of general economic conditions
- Impact of a failure to obtain or maintain necessary FDA (or foreign equivalent) clearances and approvals
- Risks associated with the misuse by customers, physicians and technicians of Pansend's products or the products of Pansend's investees
- Inventory management, Pansend's limited manufacturing experience, and our ability to scale, suspend or reduce production based on variations in product demand.
- Competition for skilled technical professional personnel
- Obsolescence of Pansend's products
- Ability of Pansend and its investees to effectively protect their intellectual property and the impact of a failure to do so
- Impact of third party intellectual property infringement claims

Risks related to the Spectrum segment

- Effectiveness of our operations in a highly competitive market
- Impact of legislation and FCC regulations, including with respect to broadcasting licenses.

Risk Factors

The following risk factors and the forward-looking statements elsewhere herein should be read carefully in connection with evaluating the business of the Company and its subsidiaries. A wide range of events and circumstances could materially affect our overall performance, the performance of particular businesses and our results of operations, and therefore, an investment in us is subject to risks and uncertainties. In addition to the important factors affecting specific business operations and the financial results of those operations identified elsewhere in this Annual Report on Form 10-K, the following important factors, among others, could adversely affect our operations. While each risk is described separately below, some of these risks are interrelated, and it is possible that certain risks could trigger the applicability of other risks described below. Also, the risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us, or that are currently deemed immaterial, could also potentially impair our overall performance, the performance of particular businesses and our results of operations. These risk factors may be amended, supplemented or superseded from time to time in filings and reports that we file with the SEC in the future.

Risks Related to Our Businesses

INNOVATE is a holding company, and its only material assets are its cash on hand, equity interests in its operating subsidiaries and its other investments. As a result, INNOVATE's principal source of cash and cash flow is distributions from its subsidiaries, and its subsidiaries may be limited by law and by contract in making distributions to INNOVATE.

As a holding company, INNOVATE's material assets are its cash and cash equivalents, the equity interests in its subsidiaries and other investments. As of December 31, 2025, the Company had \$112.1 million of cash and cash equivalents, excluding restricted cash. On a stand-alone basis, as of December 31, 2025, the Non-Operating Corporate segment had cash and cash equivalents, excluding restricted cash, of \$4.2 million.

INNOVATE's principal source of cash and cash flow is distributions from its subsidiaries. Thus, its ability to service its debt, including the \$360.4 million aggregate principal amount of new 10.50% 2027 Senior Secured Notes, \$53.5 million aggregate principal amount of new 9.50% 2027 Convertible Notes, \$1.9 million aggregate principal amount remaining of 8.50% 2026 Senior Secured Notes, \$0.2 million aggregate principal amount remaining of 7.50% 2026 Convertible Notes, \$45.9 million principal amount of the CGIC Note and the \$20.0 million secured revolving credit agreement (the "Revolving Credit Agreement"), of which \$20.0 million was drawn as of December 31, 2025, and to finance future acquisitions, is dependent on the ability of its subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to INNOVATE. INNOVATE's subsidiaries are separate legal entities, and although they may be wholly-owned or controlled by INNOVATE, they have no obligation to make any funds available to INNOVATE, whether in the form of loans, dividends, distributions or otherwise. The ability of INNOVATE's subsidiaries to distribute cash to it is, and will remain subject to, among other things, restrictions that are contained in its subsidiaries' financing agreements, availability of sufficient funds and applicable state laws and regulatory restrictions. For instance, DBMG is a borrower under credit facilities that restrict their ability to make distributions or loans to INNOVATE. Specifically, DBMG is party to credit agreements that include certain financial covenants that can limit the amount of cash available to make upstream dividend payments to INNOVATE. For additional information, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of INNOVATE's subsidiaries to distribute dividends or other payments to INNOVATE could be limited in any way, our ability to grow, pursue business opportunities or make acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business could be materially limited. In addition, if INNOVATE depends on distributions and loans from its subsidiaries to make payments on INNOVATE's debt, and if such subsidiaries were unable to distribute or loan money to INNOVATE, INNOVATE could default on its debt, which would permit the holders of such debt to accelerate the maturity of the debt which may also accelerate the maturity of other debt of ours with cross-default or cross-acceleration provisions.

To service our indebtedness and other obligations, we will require a significant amount of cash.

Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations, including under our outstanding indebtedness, and our obligations under our outstanding shares of preferred stock, could harm our business, financial condition and results of operations. Our ability to make payments on and to refinance our indebtedness and outstanding preferred stock and to fund working capital needs and planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, business, legislative, regulatory and other factors that are beyond our control. For a description of our and our subsidiaries' indebtedness, refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

If our business does not generate sufficient cash flows from operations or if future borrowings are not available to us in an amount sufficient to enable us and our subsidiaries to pay our indebtedness or make mandatory redemption payments with respect to our outstanding shares of preferred stock, or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness or redeem the preferred stock, out of legally available funds, on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on us.

In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness or redeem the preferred stock will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt or financings related to the redemption of our preferred stock could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments or preferred stock may limit or prevent us from taking any of these actions. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness or dividend payments on our outstanding shares of preferred stock would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or otherwise raise capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service and other obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations.

Substantial doubt about our ability to continue as a going concern

As of the date of these financial statements, there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The principal conditions leading to this conclusion are the upcoming maturities of our debt obligations. Based on these conditions, the Company may not be able to meet its obligations at maturity and comply with certain cross-default provisions under the 2027 Senior Secured Notes over the next twelve months, or any potential breach of the milestone covenant of our 2027 Senior Secured Notes, which has required the Company to commence a sales process for all or substantially all of DBM Global's assets or equity interests in accordance with certain dates and deadlines. Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information. The Company plans to alleviate these conditions through various initiatives it is currently exploring, including pursuing asset sales, and potentially refinancing debt and raising additional capital. However, there can be no assurance that the Company will have the ability to be successful in any asset sales, additional capital raises, or the refinancing of its existing debt, on attractive terms or at all, nor any assurances that lenders will provide additional extensions, waivers or amendments in the event of future non-compliance with the Company's debt covenants or other possible events of default. Further, there can be no assurance that the Company will be able to execute a reduction, extension, or refinancing of the debt, or that the terms of any replacement financing would be as favorable as the terms of the debt prior to the maturity dates. There can be no assurance that these plans will be successfully implemented or that they will mitigate the conditions that raise substantial doubt about the Company's ability to continue as a going concern. The potential inability to complete any assets sales, refinance or extend the maturity of the aforementioned current debt, or to obtain additional financing or raise sufficient cash to pay the debt at maturity would have a material adverse effect on our financial condition and likely cause the price of the Company's common stock to decline.

The instruments and agreements governing our indebtedness, and our Third Amended and Restated Certificate of Incorporation contain various covenants that limit our discretion in the operation of our business and/or require us to meet certain covenants. The failure to comply with such covenants could have a material adverse effect on us.

The indentures governing INNOVATE's 2027 Senior Secured Notes, 2027 Convertible Notes, 2026 Senior Secured Notes, 2026 Convertible Notes, CGIC Subordinated Secured Promissory Note and Revolving Line of Credit, and our Third Amended and Restated Certificate of Incorporation and any future debt agreements may contain various covenants, including those that restrict our ability to, among other things:

- incur liens on our property, assets and revenue;
- borrow money, and guarantee or provide other support for the indebtedness of third parties;
- redeem or repurchase our capital stock;
- make scheduled interest and principal or other payments or prepay, redeem or repurchase, certain of our indebtedness
- enter into certain change of control transactions;
- make investments in entities that we do not control, including joint ventures;

- enter into certain asset sale transactions, including divestiture of certain company assets and divestiture of capital stock of wholly-owned subsidiaries;
- enter into certain transactions with affiliates; and
- enter into secured financing arrangements.

The debt facilities at our subsidiaries contain similar covenants applicable to each respective subsidiary. These covenants may limit our ability to effectively operate our businesses. For example, DBMG has an indemnity agreement with its surety bond provider that also contains covenants on retention of capital and working capital requirements for DBMG, which may limit the amount of dividends DBMG may pay to its stockholders.

The indenture governing INNOVATE's 2027 Senior Secured Notes required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, such that by September 1, 2025 we needed to have a bona fide bid or term sheet related to a potential sale, a fully executed purchase or equity agreement by November 1, 2025, and an executed transaction with applied proceeds to the 2027 Senior Secured Notes Indenture no later than February 1, 2026, and in the event of the failure to achieve these milestones, the mandatory commencement of a sales process for DBMG. We did not achieve these milestones and accordingly we have commenced a sales process for DBMG. We may not be able to consummate that sale at a price that would be sufficient for us to pay the 2027 Senior Secured Notes in full or on any terms.

Any failure to comply with the restrictions in the indentures governing INNOVATE's 2027 Senior Secured Notes or any other instrument or agreement governing our existing indebtedness, or indebtedness we may incur in the future, may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which acceleration may trigger cross-acceleration or cross-default provisions in other debt. If any of these risks were to occur, our business and operations could be materially and adversely affected. Refer to Note 11, Debt Obligations to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information.

Our Third Amended and Restated Certificate of Incorporation provides the holders of our Series A-3 and Series A-4 Preferred Stock with consent and voting rights with respect to certain of the matters referred to above, in addition to certain corporate governance rights. These restrictions may interfere with our ability to obtain financings or to engage in other business activities, which could have a material adverse effect on our business and operations.

We have significant indebtedness and other financing arrangements and could incur additional indebtedness and other obligations, which could adversely affect our business and financial condition.

We have a significant amount of indebtedness and outstanding shares of preferred stock. As of December 31, 2025, our total principal amount of outstanding debt was \$687.2 million and the accrued value of our outstanding preferred stock had a combined redemption value of \$9.3 million and a current fair value of \$9.6 million as of December 31, 2025, which is inclusive of \$0.3 million of accrued cash dividends. We may not generate enough cash flow to satisfy our obligations under such indebtedness and other arrangements. This significant amount of indebtedness poses risks such as risk of inability to repay such indebtedness, as well as:

- increased vulnerability to general adverse economic and industry conditions;
- higher interest expense if interest rates increase on our floating rate borrowings are not effective to mitigate the effects of these increases;
- our Senior Secured Notes are secured by substantially all of INNOVATE's assets and those of certain of INNOVATE's subsidiaries that have guaranteed the Senior Secured Notes, including certain equity interests in our other subsidiaries and other investments, as well as certain intellectual property and trademarks, and those assets cannot be pledged to secure other financings;
- certain assets of our subsidiaries are pledged to secure their indebtedness, and those assets cannot be pledged to secure other financings;
- our having to divert a significant portion of our cash flows from operations to payments on our indebtedness and other arrangements, thereby reducing the availability of cash to fund working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- limiting our ability to obtain additional financing, on terms we find acceptable, if needed, for working capital, capital expenditures, expansion plans and other investments, which may limit our ability to implement our business strategy;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate or to take advantage of market opportunities; and
- placing us at a competitive disadvantage compared to our competitors that have less debt and fewer other outstanding obligations.

In addition, it is possible that we may need to incur additional indebtedness or enter into additional financing arrangements in the future in the ordinary course of business. If additional indebtedness is incurred or equity is issued, the risks described above could intensify. In addition, our inability to maintain compliance with our debt covenants could result in acceleration of all or a portion of our debt obligations and could cause us to be in default if we are unable to repay the accelerated obligations.

We have experienced significant historical, and may experience significant future, operating losses and net losses, which may hinder our ability to meet working capital requirements or service our indebtedness, and we cannot assure you that we will generate sufficient cash flows from operations to meet such requirements or service our indebtedness.

We cannot assure you that we will recognize net income or positive cash flows from operations in future periods. If we cannot generate net income or sufficient operating profitability, we may not be able to meet our working capital requirements or service our indebtedness. Our ability to generate sufficient cash for our operations will depend upon, among other things, the future financial and operating performance of our operating businesses, which will be affected by prevailing economic and related industry conditions and financial, business, regulatory and other factors, many of which are beyond our control. We recognized net loss attributable to INNOVATE of \$60.6 million in 2025 and net loss attributable to INNOVATE of \$34.6 million in 2024, and we have also incurred net losses in other prior periods.

We cannot assure you that our business will generate cash flows from operations in an amount sufficient to fund our liquidity needs. If our cash flows and capital resources are insufficient, we may be forced to reduce or delay capital expenditures, sell assets and/or seek additional capital or financings. Our ability to obtain future financings will depend on the condition of the capital markets and our financial condition at such time. Any financings could be at high interest rates and may require us to comply with covenants in addition to, or more restrictive than, covenants in our current financing documents, which could further restrict our business operations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such disposition may not be adequate to meet our obligations. For the years ended December 31, 2025 and 2024, we recognized cash flows provided by operating activities of \$146.6 million and \$9.1 million, respectively.

Loss of our key management or other personnel, 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, including our Interim CEO, 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 ("CEO") 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 CEO of the Company. Mr. Voigt has served as Senior Managing Director of Investments at Lancer Capital, LLC ("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.

We and our subsidiaries may not be able to attract and/or retain additional skilled personnel.

We may not be able to attract new personnel, including management and technical and sales personnel, necessary for future growth, or replace lost personnel. In particular, the activities of some of our operating subsidiaries require personnel with highly specialized skills. Competition for the best personnel in our businesses can be intense. Our financial condition and results of operations could be materially adversely affected if we are unable to attract and/or retain qualified personnel.

We may identify material weaknesses in our internal control over financial reporting which could adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As of December 31, 2025 and 2024, management concluded that our internal control over financial reporting was effective.

In future periods, if the process required by Section 404 of the Sarbanes-Oxley Act of 2002, (the "Sarbanes-Oxley Act") reveals or we otherwise identify one or more material weaknesses or significant deficiencies, the correction of any such material weakness or significant deficiency could require additional remedial measures including additional personnel which could be costly and time-consuming. If a material weakness exists as of a future period-end (including a material weakness identified prior to year-end for which there is an insufficient period of time to evaluate and confirm the effectiveness of the corrections or related new procedures), our management will be unable to report favorably as of such future period year-end to the effectiveness of our internal control over financial reporting. If we are unable to assert that our internal control over financial reporting is effective in any future period, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the trading price of our common stock and potentially subject us to additional and potentially costly litigation and governmental inquiries/investigations.

Overall tightening of the labor market increases in labor costs or any possible labor unrest may adversely affect our business and results of operations.

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations. Although we have not experienced any labor shortages to date, we have observed an overall tightening and increasingly competitive labor market in recent years. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary and wages, social benefits and employee headcount. We compete with other companies in our industry and other labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If we are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in the exchange rate of the U.S. dollar, foreign currencies and inflation may adversely impact our results of operations and financial condition.

Although the majority of our operations are within the United States, we conduct various operations outside the United States. As a result, we face exposure to movements in currency exchange rates. These exposures include but are not limited to:

- re-measurement gains and losses from changes in the value of foreign denominated assets and liabilities;
- translation gains and losses on foreign subsidiary financial results that are translated into U.S. dollars, our functional currency, upon consolidation; and
- planning risk related to changes in exchange rates between the time we prepare our annual and quarterly forecasts and when actual results occur.

Our businesses are also exposed to, among other things, inflation and fuel price increases. Inflationary pressures can result in increased interest rates, fuel, wages, freight and container expenses and other costs which, if they continue for a prolonged period, may adversely affect our results of operations if we are not able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Our failure to meet the continued listing requirements of NYSE could result in a delisting of our securities, which in turn could adversely affect our financial condition and the market for our common stock.

On February 26, 2024, the Company was notified by the New York Stock Exchange ("NYSE") that the average closing price of the Company's common stock had fallen below \$1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price required by Section 802.01C of the NYSE Listed Company Manual ("Section 802.01C"). Pursuant to Section 802.01C, the Company had a period of six months following the receipt of the notice to regain compliance with the minimum share price requirement. On August 27, 2024, subsequent to a reverse stock split effected by the Company, the Company was notified by the NYSE that it had again regained compliance with this listing standard. If the Company's average closing price of the Company's common stock falls below \$1.00 per share again and the Company is unable to regain compliance with the \$1.00 share price rule within the mandated cure period, the NYSE will initiate procedures to suspend and delist the Common Stock. If the common stock ultimately were to be delisted from the NYSE, it could negatively impact the Company by, among other things, (i) reducing the liquidity and market price of the Company's common stock; (ii) reducing the number of investors willing to hold or acquire the Company's common stock, which could negatively impact the Company's ability to raise equity financing; and (iii) limiting the Company's ability to sell its common stock in certain states within the United States, also potentially impacting the Company's ability to raise financing. If the Company's common stock is delisted from NYSE, the price paid by investors may not be recovered.

Because we face significant competition for acquisition and business opportunities, including from numerous companies with a business plan similar to ours, it may be difficult for us to fully execute our business strategy. Additionally, our subsidiaries also operate in highly competitive industries, limiting their ability to gain or maintain their positions in their respective industries.

We expect to encounter intense competition for acquisition and business opportunities from both strategic investors and other entities having a business objective similar to ours, such as private investors (which may be individuals or investment partnerships), blank check companies, and other entities, domestic and international, competing for the type of businesses that we may acquire. Many of these competitors possess greater technical, human and other resources, or more local industry knowledge, or greater access to capital, than we do, and our financial resources may be relatively limited when contrasted with those of many of these competitors. These factors may place us at a competitive disadvantage in successfully completing future acquisitions and investments.

In addition, while we believe that there are numerous target businesses that we could potentially acquire or invest in, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. We may need to obtain additional financing in order to consummate future acquisitions and investment opportunities and cannot assure you that any additional financing will be available to us on acceptable terms, or at all, or that the terms of our existing financing arrangements will not limit our ability to do so. This inherent competitive limitation gives others an advantage in pursuing acquisition and investment opportunities.

Furthermore, our subsidiaries also face competition from both traditional and new market entrants that may adversely affect them as well, as discussed below in the risk factors related to our Infrastructure, Life Sciences and Spectrum segments.

Future acquisitions or business opportunities could involve unknown risks that could harm our business and adversely affect our financial condition and results of operations.

We are a diversified holding company that owns interests in a number of different businesses. We have in the past, and intend in the future, to acquire businesses or make investments, directly or indirectly through our subsidiaries, that involve unknown risks, some of which will be particular to the industry in which the investment or acquisition targets operate, including risks in industries with which we are not familiar or experienced. There can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us or the entities that we may acquire. We may be unable to adequately address the financial, legal and operational risks raised by such investments or acquisitions, especially if we are unfamiliar with the relevant industry, which can lead to significant losses on material investments. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the investments or acquisitions, which could adversely affect our financial condition and liquidity. In addition, our financial condition, results of operations and the ability to service our debt may be adversely impacted depending on the specific risks applicable to any business we invest in or acquire and our ability to address those risks.

We may not be able to successfully integrate acquisitions into our business, or realize the anticipated benefits of these acquisitions.

The integration of acquired businesses into our operations may be a complex and time-consuming process that may not be successful. Even if we successfully integrate these assets into our business and operations, there can be no assurance that we will realize the anticipated benefits and operating synergies. The Company's estimates regarding the earnings, operating cash flow, capital expenditures and liabilities resulting from these acquisitions may prove to be incorrect. For example, with any past or future acquisition, there is the possibility that:

- we may not have implemented company policies, procedures and cultures, in an efficient and effective manner;
- we may not be able to successfully reduce costs, increase advertising revenue or audience share;
- we may fail to retain and integrate employees and key personnel of the acquired business and assets;
- our management may be reassigned from overseeing existing operations by the need to integrate the acquired business;
- we may encounter unforeseen difficulties in extending internal control and financial reporting systems at the newly acquired business;
- we may fail to successfully implement technological integration with the newly acquired business or may exceed the capabilities of our technology infrastructure and applications;
- we may not be able to generate adequate returns;
- we may encounter and fail to address risks or other problems associated with or arising from our reliance on the representations and warranties and related indemnities, if any, provided to us by the sellers of acquired companies and assets;
- we may suffer adverse short-term effects on operating results through increased costs and may incur future impairments of goodwill associated with the acquired business;
- we may be required to increase our leverage and debt service or to assume unexpected liabilities in connection with our acquisitions; and
- we may encounter unforeseen challenges in entering new markets in which we have little or no experience.

The occurrence of any of these events or our inability generally to successfully implement our acquisition and investment strategy would have an adverse effect, which could be material, on our business, financial condition and results of operations.

We rely on information systems to conduct our businesses, and failure to protect these systems against security breaches and otherwise to implement, integrate, upgrade and maintain such systems in working order could have a material adverse effect on our results of operations, cash flows or financial condition.

The efficient operation of our businesses is dependent on computer hardware and software systems. For instance, INNOVATE and its subsidiaries rely on information systems to process customer orders, manage inventory and accounts receivable collections, purchase products, manage accounts payable processes, track costs and operations, maintain client relationships and accumulate financial results. Information technology security threats - from user error to cybersecurity attacks designed to gain unauthorized access to our systems, networks and data - are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. Cybersecurity attacks could also include attacks targeting sensitive data or the security, integrity and/or reliability of the hardware and software installed in products we use. Additionally, the rapid advancement of AI may give rise to additional cybersecurity vulnerabilities. Through generative AI, potential threats may have new tools to automate and refine attacks or evade detection. We treat such cybersecurity risks seriously given these threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data.

Despite our implementation of industry-accepted security measures and technology, our information systems are vulnerable to and have been subject to cyber-attacks, computer viruses, malicious codes, unauthorized access, phishing efforts, denial-of-service attacks and other cyber-attacks and we expect to be subject to similar attacks in the future as such attacks become more sophisticated and frequent. Although to date, such attacks have not had a material impact on our financial condition, results of operations or liquidity, there can be no assurance that our cybersecurity measures and technology will adequately protect us from these and other risks, including internal and external risks such as natural disasters and power outages and internal risks such as insecure coding and human error. Attacks perpetrated against our information systems could result in loss of assets and critical information, theft of intellectual property or inappropriate disclosure of confidential information and could expose us to legal and remediation costs and reputational damage. The inappropriate disclosure of confidential information or risk of theft of our intellectual property could result from the inappropriate use of AI systems by our employees, personnel, or business partners with access to such information, which could have an adverse effect on our business. In addition, the unexpected or sustained unavailability of the information systems or the failure of these systems to perform as anticipated for any reason, including cybersecurity attacks and other intentional hacking, could subject us to additional legal costs and claims if there is loss, disclosure or misappropriation of or access to our customers' information and could result in service interruptions, safety failures, security violations, regulatory compliance failures, an inability to protect information and assets against intruders, sensitive data being lost or manipulated and could otherwise disrupt our businesses and result in decreased performance, operational difficulties and increased costs, any of which could adversely affect our business, results of operations, financial condition or liquidity.

We may increase our operational size in the future, and may experience difficulties in managing growth.

We have adopted a business strategy that contemplates that we will expand our operations, including future acquisitions or other business opportunities, and as a result, we may need to increase our level of corporate functions, which may include hiring additional personnel to perform such functions and enhancing our information technology systems. Any future growth may increase our corporate operating costs and expenses and impose significant added responsibilities on members of our management, including the need to identify, recruit, maintain and integrate additional employees and implement enhanced informational technology systems. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively.

We may not be able to fully utilize our net operating loss and other tax carryforwards.

Our ability to utilize our net operating loss ("NOL") and other tax carryforward amounts, including disallowed interest carryforwards under Code Section 163(j), may be subject to limitations for various reasons. As a result of the enactment of the Tax Cuts and Jobs Act ("TCJA"), the deduction for NOLs arising in tax years after December 31, 2017, will be limited to 80% of taxable income, although they can be carried forward indefinitely. NOLs that arose prior to the years beginning January 1, 2018 are still subject to the same carryforward periods.

As of December 31, 2025, the U.S. consolidated group had approximately \$176.3 million of federal NOL carryforwards and \$240.0 million of interest expense carryforwards under Code Section 163(j) available to offset our future taxable income, with certain NOLs beginning to expire in 2034.

Pursuant to the Code Sections 382 and 383, use of our NOLs and certain other tax attributes may be limited by an "ownership change" within the meaning of Code Section 382 and applicable Treasury Regulations. If a corporation undergoes an "ownership change," which is generally defined as an increase of more than 50% of the value of a corporation's stock owned by certain "5-percent shareholders" (as such term is defined in Internal Revenue Code Section 382) over a rolling three-year period, the corporation's ability to use its pre-change NOLs and certain other pre-change tax attributes to offset its post-change income or taxes may be limited.

We may experience ownership changes in the future as a result of subsequent shifts in our common stock ownership, some of which may be outside of our control. If the Company were to experience an ownership change as defined in Code Section 382, its ability to utilize these tax attributes would be substantially limited.

For example, if substantial acquisitions of our common stock are reported by new beneficial owners, and we issue shares of our preferred stock, convertible into our common stock, we would conduct a Code Section 382 review. The conclusions of this review could indicate that an ownership change has occurred. For example, as a result of our common stock offering in November 2015 and our purchase of GrayWolf in November 2018, we triggered additional ownership changes at GrayWolf, imposing additional limitations on the use of the acquired NOL carryforward amounts. There can be no assurance that future ownership changes would not further negatively impact our NOL carryforward amounts because any future annual Section 382 limitation will ultimately depend on the value of our equity as determined for these purposes and the amount of unrealized gains immediately prior to such ownership change.

We may be required to restate certain of our financial statements in the future, which may lead to additional risks and uncertainties, including stockholder litigation and loss of investor confidence.

The preparation of financial statements in accordance with GAAP involves making estimates, judgments, interpretations and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and income. These estimates, judgments, interpretations and assumptions are often inherently imprecise or uncertain, and any necessary revisions to prior estimates, judgments, interpretations or assumptions could lead to a restatement of our financial statements. Any such restatement or correction may be highly time consuming, may require substantial attention from management and significant accounting costs, may result in adverse regulatory actions by the SEC or NYSE, may result in stockholder litigation, may cause us to fail to meet our reporting obligations, and may cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Our officers, directors, stockholders and their respective affiliates may have a pecuniary interest in certain transactions in which we are involved, and may also compete with us.

While we have adopted a code of ethics applicable designed to promote the ethical handling of actual or apparent conflicts of interest, we have not adopted a policy that expressly prohibits our directors, officers, stockholders or affiliates from having an interest in any transaction to which we are a party or in which we have an interest. Additionally, we do not have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. We have in the past engaged in transactions in which such persons have an interest (for example, the 2021 sale of Continental Insurance Group ("CIG") to Continental General Holdings LLC, an entity controlled by Michael Gorzynski, a former director of the Company). Subject to the terms of any applicable covenants in financing arrangements or other agreements, we may from time to time enter into additional transactions in which such persons have an interest. In addition, such parties may have an interest in certain transactions such as strategic partnerships or joint ventures in which we are involved, and may also compete with us.

In the course of their other business activities, certain of our current and future directors and officers may become aware of business and acquisition opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. Such directors and officers are not required to and may therefore not present otherwise attractive business or acquisition opportunities to us.

Certain of our current and future directors and officers may become aware of business and acquisition opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to those directors' and officers' affiliations with other entities, they may have obligations to present potential business and acquisition opportunities to those entities, which could cause conflicts of interest. Moreover, as permitted by Delaware law, our certificate of incorporation contains a provision that renounces our expectation to certain corporate opportunities that are presented to our current and future directors that serve in capacities with other entities. Accordingly, our directors and officers may not present otherwise attractive business or acquisition opportunities to us of which they may become aware.

We may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status.

We believe we are not an investment company as defined by the Investment Company Act of 1940, and have operated our business in accordance with such view. If the SEC or a court were to disagree with us, we could be required to register as an investment company. This would subject us to disclosure and accounting rules geared toward investment, rather than operating, companies; limit our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and require us to undertake significant costs and expenses to meet the disclosure and other regulatory requirements to which we would be subject as a registered investment company.

We are subject to litigation in respect of which we are unable to accurately assess our level of exposure and which, if adversely determined, may have a material adverse effect on our financial condition and results of operations.

We are currently, and may become in the future, party to legal proceedings that are considered to be either ordinary or routine litigation incidental to our current or prior businesses or not material to our financial position or results of operations. We also are currently, or may become in the future, party to legal proceedings with the potential to be material to our financial position or results of operations. There can be no assurance that we will prevail in any litigation in which we may become involved, or that our insurance coverage will be adequate to cover any potential losses. To the extent that we sustain losses from any pending litigation which are not reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be materially adversely affected. Refer to Item 3, "Legal Proceedings."

Deterioration of global economic conditions could adversely affect our business.

The global economy and capital and credit markets have experienced exceptional turmoil and upheaval over the past several years. Ongoing concerns about the systemic impact of potential long-term and widespread recession and potentially prolonged economic recovery, volatile energy costs, fluctuating commodity prices and interest rates, volatile exchange rates, geopolitical issues, including conflicts in Ukraine, the Middle East and Venezuela, among others, natural disasters and pandemic illness, instability in credit markets, cost and terms of credit, consumer and business confidence and demand, a changing financial, regulatory and political environment, and substantially increased unemployment rates have all contributed to increased market volatility and diminished expectations for many established and emerging economies, including those in which we operate. Furthermore, austerity measures that certain countries may agree to as part of any debt crisis or disruptions to major financial trading markets may adversely affect world economic conditions and have an adverse impact on our business. These general economic conditions could have a material adverse effect on our cash flow from operations, results of operations and overall financial condition.

The availability, cost and terms of credit also have been and may continue to be adversely affected by illiquid markets and wider credit spreads. Concern about the stability of the markets generally, and the strength of counterparties specifically, has led many lenders and institutional investors to reduce credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers over the past several years, and a corresponding slowdown in global infrastructure spending.

Continued uncertainty in the U.S. and international markets and economies and prolonged stagnation in business and consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to access capital markets and obtain capital lease financing to meet liquidity needs.

Climate change and related environmental issues could have a material adverse impact on our business, financial condition and results of operations

Climate change related events, such as increased frequency and severity of storms, floods, wildfires, droughts, hurricanes, freezing conditions, and other natural disasters, may have both immediate and long-term impacts on our business, financial condition and results of operations. While we seek to mitigate our business risks associated with climate change by establishing robust environmental programs and partnering with organizations who are also focused on mitigating their own climate-related risks, we recognize that there are inherent climate change-related risks wherever business is conducted. While there have been no direct impacts to the financial statements, any of our primary locations could be vulnerable to the adverse effects of climate change, including drought, water scarcity, heat waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention, hurricanes, floods, rising sea levels. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. In addition, infrastructure owners could face increased costs to maintain their assets, which could result in reduced profitability and fewer resources for strategic investment. These types of physical risks could in turn lead to transitional risks (i.e., the degree to which society responds to the threat of climate change), such as market and technology shifts, including decreased demand for our services and solutions, reputational risks, such as how our values and practices regarding a low carbon transition are viewed by external and internal stakeholders, and policy and legal risks, such as the extent to which low carbon transitions are driven by the governments of the jurisdictions in which we operate around the globe, all of which could have a material adverse impact on our business, financial condition and results of operations.

We are subject to risks associated with our international operations.

We operate in international markets, and may in the future consummate additional investments in or acquisitions of foreign businesses. Our international operations are subject to a number of risks, including:

- political conditions and events, including embargo;
- changing regulatory environments;
- outbreaks of pandemic diseases, or fear of such outbreaks;
- inflationary pressures;
- restrictive actions by U.S. and foreign governments;
- the imposition of withholding or other taxes on foreign income, new or increased tariffs or restrictions on foreign trade and investment;
- adverse tax consequences;
- limitations on repatriation of earnings and cash;
- currency exchange controls and import/export quotas;
- nationalization, expropriation, asset seizure, blockades and blacklisting;
- limitations in the availability, amount or terms of insurance coverage;
- loss of contract rights and inability to adequately enforce contracts;
- political instability, war and civil disturbances or other conflicts and risks that may limit or disrupt markets, such as terrorist attacks, piracy and kidnapping;
- fluctuations in currency exchange rates, hard currency shortages and controls on currency exchange that affect demand for our services and our profitability;

- potential noncompliance with a wide variety of anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), and similar non-U.S. laws and regulations, including the U.K. Bribery Act 2010 (the "Bribery Act");
- labor strikes and shortages;
- changes in general economic and political conditions;
- adverse changes in foreign laws or regulatory requirements; and
- different liability standards and legal systems that may be less developed and less predictable than those in the United States.

If we are unable to adequately address these risks, we could lose our ability to operate in certain international markets and our business, financial condition or results of operations could be materially adversely affected.

The U.S. Departments of Justice, Commerce, Treasury and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the FCPA, and other federal statutes, sanctions and regulations, including those established by the Office of Foreign Assets Control ("OFAC") and, increasingly, similar or more restrictive foreign laws, rules and regulations. By virtue of these laws and regulations, and under laws and regulations in other jurisdictions, including the European Union and the United Kingdom, we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance.

In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws and we expect the relevant agencies to continue to increase these activities. A violation of these laws, sanctions or regulations could materially adversely affect our business, financial condition or results of operations.

The Company has compliance policies in place for its employees with respect to FCPA, OFAC, the Bribery Act and similar laws. Our operating subsidiaries also have relevant compliance policies in place for their employees, which are tailored to their operations. However, there can be no assurance that our employees, consultants or agents, or those of our subsidiaries or investees, will not engage in conduct for which we may be held responsible. Violations of the FCPA, the Bribery Act, the rules and regulations established by OFAC and other laws, sanctions or regulations may result in severe criminal or civil penalties, and we may be subject to other liabilities, which could materially adversely affect our business, financial condition or results of operations.

Additionally, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop and sell products, and any negative sentiments towards the United States as a result of such changes, could adversely affect our business. Negative sentiments towards the United States among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively.

We face certain risks associated with the acquisition or disposition of businesses and lack of control over certain of our investments.

In pursuing our corporate strategy, we may acquire, dispose of or exit businesses or reorganize existing investments. The success of this strategy is dependent upon our ability to identify appropriate opportunities, negotiate transactions on favorable terms and ultimately complete such transactions.

In the ordinary course of our business, we evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives or that no longer fit with our broader strategy, such as the dispositions of our Clean Energy and Insurance segments in 2021 or the acquisition of Banker Steel by our Infrastructure segment in 2021. In addition, we have been required to sell certain assets or businesses to comply with certain of our debt covenants. When we sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives, or we may dispose of a business at a price or on terms which are less than we had anticipated. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such disposition may not be adequate to meet our debt obligations. In addition, there is a risk that we sell a business whose subsequent performance exceeds our expectations, in which case our decision would have potentially sacrificed enterprise value.

In the course of our acquisitions, we may not acquire 100% ownership of certain of our operating subsidiaries, or we may face delays in completing certain acquisitions, including in acquiring full ownership of certain of our operating companies. Once we complete acquisitions or reorganizations there can be no assurance that we will realize the anticipated benefits of any transaction, including revenue growth, operational efficiencies or expected synergies. If we fail to recognize some or all of the strategic benefits and synergies expected from a transaction, goodwill and intangible assets may be impaired in future periods. The negotiations associated with the acquisition and disposition of businesses could also disrupt our ongoing business, distract management and employees or increase our expenses.

If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

We also own minority interests in a number of entities, such as MediBeacon, Triple Ring Technologies, Inc. and Scaled Cell, over which we do not exercise, or have only limited, management control, and we are, therefore, unable to direct or manage the business to realize the anticipated benefits that we can achieve through full integration.

Our development stage companies may never produce revenues or income.

We have made investments in and own a majority stake in a number of development stage companies, primarily in our Life Sciences segment. Each of these companies is at an early stage of development and is subject to all business risks associated with a new enterprise, including constraints on their financial and personnel resources, lack of established credit, the need to establish meaningful and beneficial vendor and customer relationships and uncertainties regarding product development and future revenues. We anticipate that many of these companies will continue to incur substantial additional operating losses for at least the next several years and expect their losses to increase as research and development efforts expand. There can be no assurance as to when or whether any of these companies will be able to develop significant sources of revenue or that any of their respective operations will become profitable, even if any of them have or are able to commercialize any products. As a result, we may not realize any returns on our investments in these companies, which could adversely affect our business, results of operations, financial condition or liquidity.

We could consume resources in researching acquisitions, business opportunities or financings and capital market transactions that are not consummated, which could materially adversely affect subsequent attempts to locate and acquire or invest in another business.

We anticipate that the investigation of each specific acquisition or business opportunity and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments with respect to such transaction will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific acquisition, business opportunity or financing and capital market transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition, investment target or financing, we may fail to consummate the investment or acquisition for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our ability to consummate other acquisitions and investments.

There may be tax consequences associated with our disposition, acquisition, investment, and holding of target companies and assets.

We may incur significant taxes in connection with effecting dispositions, acquisitions of, or investments in, holding, receiving payments from, or operating of target companies and assets. Our decision to sell a particular asset, make a particular acquisition, or increase or decrease a particular investment may be based on considerations other than the timing and amount of taxes owed as a result thereof. We may remain liable for certain tax obligations of certain disposed companies, and we may be required to make material payments in connection therewith.

Our participation in any future joint investment could be adversely affected by our lack of sole decision-making authority, our reliance on a partner's financial condition and disputes between us and the relevant partners.

We have, in the past, indirectly through our subsidiaries, formed joint ventures, and may in the future engage in similar joint ventures with third parties. In such circumstances, we may not be in a position to exercise significant decision-making authority if we do not own a substantial majority of the equity interests of such joint venture or otherwise have contractual rights entitling us to exercise such authority. These ventures may involve risks not present when a third party is not involved, including the possibility that partners might become insolvent or fail to fund their share of required capital contributions. In addition, partners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Disputes between us and partners may result in litigation or arbitration that would increase our costs and expenses and divert a substantial amount of management's time and effort away from our businesses. We may also, in certain circumstances, be liable for the actions of our third-party partners which could have a material adverse effect on us.

We and our subsidiaries and our investees rely on trademark, copyright, trade secret, contractual restrictions and patent rights to protect our intellectual property and proprietary rights and if these rights are impaired, then our and our investees' ability to generate revenue and competitive positions may be harmed.

If we and our investees fail to protect our intellectual property rights adequately, including through the improper use of AI by our personnel or business partners, our competitors might gain access to our or our investees' technology, and our business might be harmed. In addition, defending our intellectual property rights might entail significant expense. Any of our trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have some U.S. patents and pending U.S. patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which we operate. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property. In addition, some of our operating subsidiaries may use trademarks which have not been registered and may be more difficult to protect.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel.

We may issue additional shares of common stock or preferred stock, which could dilute the interests of our stockholders and present other risks.

Our certificate of incorporation, as amended, authorizes the issuance of up to 250,000,000 shares of common stock and 20,000,000 shares of preferred stock.

As of December 31, 2025, INNOVATE has 13,818,904 issued and 13,655,062 outstanding shares of its common stock, and 8,062 shares of Series A-3 and Series A-4 preferred stock issued and outstanding. However, our certificate of incorporation authorizes our board of directors, from time to time, subject to limitations prescribed by law and any consent rights granted to holders of outstanding shares of preferred stock, to issue additional shares of preferred stock having rights that are senior to those afforded to the holders of our common stock. We also have reserved shares of common stock for issuance pursuant to our broad-based equity incentive plans, upon exercise of stock options and other equity-based awards granted thereunder, and pursuant to other equity compensation arrangements.

We may issue shares of common stock or additional shares of preferred stock to raise additional capital for corporate purposes, to complete a business combination or other acquisition, to capitalize new businesses or new or existing businesses of our operating subsidiaries or pursuant to other employee incentive plans, any of which could dilute the interests of our stockholders and present other risks.

The issuance of additional shares of common stock or preferred stock may, among other things:

- significantly dilute the equity interest and voting power of all other stockholders;
- subordinate the rights of holders of our outstanding common stock and/or preferred stock if preferred stock is issued with rights senior to those afforded to holders of our common stock and/or preferred stock;
- trigger an adjustment to the price at which all or a portion of our outstanding preferred stock converts into our common stock, if such stock is issued at a price lower than the then-applicable conversion price;
- entitle our existing holders of preferred stock to purchase a portion of such issuance to maintain their ownership percentage, subject to certain exceptions;
- call for us to make dividend or other payments not available to the holders of our common stock; and
- cause a change in control of our company if a substantial number of shares of our common stock are issued and/or if additional shares of preferred stock having substantial voting rights are issued.

The issuance of additional shares of common stock or preferred stock, or perceptions in the market that such issuances could occur, may also adversely affect the prevailing market price of our outstanding common stock and impair our ability to raise capital through the sale of additional equity securities.

Conversion of the 2027 Convertible Notes and 2026 Convertible Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Convertible Notes, or may otherwise depress the market price of our common stock.

As of December 31, 2025, the holders of our 2027 Convertible Notes and 2026 Convertible Notes (together known as the "Convertible Notes") had rights to convert their notes into 1,263,308 and 3,781, shares of our common stock, respectively. The conversion of some or all of our Convertible Notes will dilute the ownership interests of existing stockholders. Any sales in the public market of the shares of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our common stock could depress the market price of our common stock.

Future sales of substantial amounts of our common stock by holders of our preferred stock or other significant stockholders may adversely affect the market price of our common stock.

As of December 31, 2025, the holders of our outstanding Series A-3 Preferred Stock and Series A-4 Preferred Stock had certain rights to convert their preferred stock into an aggregate 364,593 shares of our common stock.

Pursuant to a second amended and restated registration rights agreement, dated January 5, 2015, entered into in connection with the issuance of the preferred stock, we have granted registration rights to the purchasers of our preferred stock and certain of their transferees with respect to INNOVATE common stock held by them and common stock underlying the preferred stock. This registration rights agreement allows these holders, subject to certain conditions, to require us to register the sale of their shares under the federal securities laws. Furthermore, the shares of our common stock held by these holders, as well as other significant stockholders, may be sold into the public market under Rule 144 of the Securities Act of 1933, as amended.

Future sales of substantial amounts of our common stock into the public market whether by holders of the preferred stock, by other holders of substantial amounts of our common stock or by us, or perceptions in the market that such sales could occur, may adversely affect the prevailing market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Price fluctuations in our common stock could result from general market and economic conditions and a variety of other factors.

The trading price of our common stock may be highly volatile and could be subject to fluctuations in response to a number of factors beyond our control, including:

- actual or anticipated fluctuations in our results of operations and the performance of our competitors;
- reaction of the market to our announcement of any future dispositions, acquisitions or investments;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in general economic conditions;
- outbreaks of pandemic diseases, or fear of such outbreaks; and
- actions of our equity investors, including sales of our common stock by significant stockholders.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders.

Some provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These include provisions:

- authorizing a board of directors to issue preferred stock;
- limiting the persons who may call special meetings of stockholders;
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

Although we believe that these charter and bylaw provisions, and provisions of Delaware law, provide an opportunity for the board to assure that our stockholders realize full value for their investment, they could have the effect of delaying or preventing a change of control, even under circumstances that some stockholders may consider beneficial.

Actions of activist stockholders, including a proxy contest, could be disruptive and potentially costly and the possibility that activist stockholders may contest, or seek changes that conflict with, our strategic direction could cause uncertainty about the strategic direction of our business. Such actions may also trigger a change in control under certain agreements to which the Company is party, which could materially and adversely affect our business.

Under certain circumstances arising out of, or related to, certain actions of activist stockholders, including a proxy contest or consent solicitation, a change in a majority of our board of directors may trigger the requirement that we make an offer to redeem our shares of preferred stock at a price per share of preferred stock, equal to the greater of (i) the accrued value of the preferred stock, plus any accrued and unpaid dividends (to the extent not included in the accrued value of preferred stock), and (ii) the value that would be received if the share of preferred stock were converted into common stock, the occurrence of which could materially and adversely affect our business. In such instance, the Company cannot assure stockholders that it would be able to obtain the financing on commercially reasonable terms (if at all) to fund the offer to redeem all of the preferred stock or if there would be funds legally available for such purpose under Delaware law. If any of these risks were to occur, our business, operating results and financial condition could be materially and adversely affected.

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.

Increased adoption of artificial intelligence and government regulation could create additional costs.

Failure to keep up with the potential increased use of AI by competitors could have adverse effects on our competitiveness in the markets that we operate, and heightened government scrutiny and regulation surrounding AI, including generative AI, could lead to increased or added compliance and regulatory costs.

Risks Related to the Infrastructure segment

DBMG's business is dependent upon major construction contracts, the unpredictable timing of which may result in significant fluctuations in its cash flow due to the timing of receipt of payment under such contracts.

DBMG's cash flow is dependent upon obtaining major construction contracts primarily from general contractors and engineering firms responsible for commercial and industrial construction projects, such as high- and low-rise buildings and office complexes, hotels and casinos, convention centers, sports arenas, shopping malls, hospitals, dams, bridges, mines and power plants. The timing of or failure to obtain contracts, delays in awards of contracts, cancellations of contracts, delays in completion of contracts, or failure to obtain timely payment from DBMG's customers, could result in significant periodic fluctuations in cash flows from DBMG's operations. In addition, many of DBMG's contracts require it to satisfy specific progress or performance milestones in order to receive payment from the customer. As a result, DBMG may incur significant costs for engineering, materials, components, equipment, labor or subcontractors prior to receipt of payment from a customer. Such expenditures could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

The nature of DBMG's primary contracting terms for its contracts, including fixed-price and cost-plus pricing, could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's projects are awarded through a competitive bid process or are obtained through negotiation, but in either case generally using one of two types of contract pricing approaches: fixed-price or cost-plus pricing. Under fixed-price contracts, DBMG performs its services and executes its projects at an established price, subject to adjustment only for change orders approved by the customer, and, as a result, it may benefit from cost savings but be unable to recover any cost overruns. If DBMG does not execute such a contract within cost estimates, it may incur losses or the project may be less profitable than expected. Historically, the majority of DBMG's contracts have been fixed-price arrangements. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to a variety of factors, including, but not limited to:

- failure to properly estimate costs of materials, including steel and steel components, engineering services, equipment, labor or subcontractors;
- costs incurred in connection with modifications to a contract that may be unapproved by the customer as to scope, schedule, and/or price;
- unanticipated technical problems with the structures, equipment or systems we supply;
- unanticipated costs or claims, including costs for project modifications, customer-caused delays, errors or changes in specifications or designs, or contract termination;
- changes in the costs of materials, engineering services, equipment, labor or subcontractors;
- changes in labor conditions, including the availability and productivity of labor;
- productivity and other delays caused by weather conditions;
- failure to engage necessary suppliers or subcontractors, or failure of such suppliers or subcontractors to perform;
- difficulties in obtaining required governmental permits or approvals;
- changes in laws and regulations; and
- changes in general economic conditions.

Under cost-plus contracts, DBMG receives reimbursement for its direct labor and material cost, plus a specified fee in excess thereof, which is typically a fixed rate per hour, an overall fixed fee, or a percentage of total reimbursable costs, up to a maximum amount, which is an arrangement that may protect DBMG against cost overruns. If DBMG is unable to obtain proper reimbursement for all costs incurred due to improper estimates, performance issues, customer disputes, or any of the additional factors noted above for fixed-price contracts, the project may be less profitable than expected.

Generally, DBMG's contracts and projects vary in length from 1 to 24 months, depending on the size and complexity of the project, project owner demands and other factors. The foregoing risks are exacerbated for projects with longer-term durations because there is an increased risk that the circumstances upon which DBMG based its original estimates will change in a manner that increases costs. In addition, DBMG sometimes bears the risk of delays caused by unexpected conditions or events. To the extent there are future cost increases that DBMG cannot recover from its customers, suppliers or subcontractors, the outcome could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Furthermore, revenue and gross profit from DBMG's contracts can be affected by contract incentives or penalties that may not be known or finalized until the later stages of the contract term. Some of DBMG's contracts provide for the customer's review of its accounting and cost control systems to verify the completeness and accuracy of the reimbursable costs invoiced. These reviews could result in reductions in reimbursable costs and labor rates previously billed to the customer.

The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts in progress. Due to the various estimates inherent in DBMG's contract accounting, actual results could differ from those estimates.

DBMG's billed and unbilled revenue may be exposed to potential risk if a project is terminated or canceled or if DBMG's customers encounter financial difficulties.

DBMG's contracts often require it to satisfy or achieve certain milestones in order to receive payment for the work performed. As a result, under these types of arrangements, DBMG may incur significant costs or perform significant amounts of services prior to receipt of payment. If the ultimate customer does not proceed with the completion of the project or if the customer or contractor under which DBMG is a subcontractor defaults on its payment obligations, DBMG may face difficulties in collecting payment of amounts due to it for the costs previously incurred. If DBMG is unable to collect amounts owed to it, this could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG may be exposed to additional risks as it obtains new significant awards and executes its backlog, including greater backlog concentration in fewer projects, potential cost overruns and increasing requirements for letters of credit, and inability to fully realize the revenue value reported in its backlog, a substantial portion of which is attributable to a relatively small number of large contracts or other commitments, each of which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

As DBMG obtains new significant project awards, these projects may use larger sums of working capital than other projects, and DBMG's backlog may become concentrated among a smaller number of customers. At December 31, 2025, DBMG's backlog was \$1,723.9 million, consisting of \$1,713.1 million under contracts or purchase orders and \$10.8 million under letters of intent or notices to proceed. Approximately \$1,137.0 million, representing 66.0% of DBMG's backlog at December 31, 2025, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If any significant projects such as these currently included in DBMG's backlog or awarded in the future were to have material cost overruns, or be significantly delayed, modified or canceled, DBMG's results of operations, cash flows or financial position could be adversely impacted, and backlog could decrease substantially if one or more of these projects terminate or reduce their scope.

Moreover, DBMG may be unable to replace the projects that it executes in its backlog. Additionally, as DBMG converts its significant projects from backlog into active construction, it may face significantly greater requirements for the provision of letters of credit or other forms of credit enhancements which exceed its current credit facilities. We can provide no assurance that DBMG would be able to access such capital and credit as needed or that it would be able to do so on economically attractive terms.

Commitments may be in the form of written contracts, letters of intent, notices to proceed and purchase orders. New awards may also include estimated amounts of work to be performed based on customer communication and historic experience and knowledge of our customers' intentions. Backlog consists of projects which have either not yet been started or are in progress but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed, which increases or decreases to reflect modifications in the work to be performed under a given commitment. The revenue projected in DBMG's backlog may not be realized or, if realized, may not be profitable as a result of poor contract terms or performance.

Due to project terminations, suspensions or changes in project scope and schedule, we cannot predict with certainty when or if DBMG's backlog will be performed. From time to time, projects are canceled that appeared to have a high certainty of going forward at the time they were recorded as new awards. In the event of a project cancellation, DBMG typically has no contractual right to the total revenue reflected in its backlog. Some of the contracts in DBMG's backlog provide for cancellation fees or certain reimbursements in the event customers cancel projects. These cancellation fees usually provide for reimbursement of DBMG's out-of-pocket costs, costs associated with work performed prior to cancellation, and, to varying degrees, a percentage of the profit DBMG would have realized had the contract been completed. Although DBMG may be reimbursed for certain costs, it may be unable to recover all direct costs incurred and may incur additional unrecoverable costs due to the resulting under-utilization of DBMG's assets.

DBMG's failure to meet contractual schedule or performance requirements could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

In certain circumstances, DBMG guarantees project completion by a scheduled date or certain performance levels. Failure to meet these schedule or performance requirements could result in a reduction of revenue and additional costs, and these adjustments could exceed projected profit. Project revenue or profit could also be reduced by liquidated damages withheld by customers under contractual penalty provisions, which can be substantial and can accrue on a daily basis. Schedule delays can result in costs exceeding our projections for a particular project. Performance problems for existing and future contracts could cause actual results of operations to differ materially from those previously anticipated and could cause us to suffer damage to our reputation within our industry and our customer base.

DBMG's government contracts may be subject to modification or termination, which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG is a provider of services to U.S. government agencies and is therefore exposed to risks associated with government contracting. Government agencies typically can terminate or modify contracts to which DBMG is a party at their convenience, due to budget constraints or various other reasons. As a result, DBMG's backlog may be reduced or it may incur a loss if a government agency decides to terminate or modify a contract to which DBMG is a party. Any changes in government capital allocations, or any under-staffing of government departments or agencies, including resulting from layoffs within the government, or any government shutdowns impacting our business interaction with affected departments or agencies, could result in delays in project awards, program cancellations, disruptions and/or stop work orders, could limit the government's ability to effectively progress programs and make timely payments, and could limit our ability to perform on our existing government contracts and successfully compete for new work. DBMG is also subject to audits, including audits of internal control systems, cost reviews and investigations by government contracting oversight agencies. As a result of an audit, the oversight agency may disallow certain costs or withhold a percentage of interim payments. Cost disallowances may result in adjustments to previously reported revenue and may require DBMG to refund a portion of previously collected amounts. In addition, failure to comply with the terms of one or more of our government contracts or government regulations and statutes could result in DBMG being suspended or debarred from future government projects for a significant period of time, possible civil or criminal fines and penalties, the risk of public scrutiny of our performance, and potential harm to DBMG's reputation, each of which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition. Other remedies that government agencies may seek for improper activities or performance issues include sanctions such as forfeiture of profit and suspension of payments.

In addition to the risks noted above, legislatures typically appropriate funds on a year-by-year basis, while contract performance may take more than one year. As a result, contracts with government agencies may be only partially funded or may be terminated, and DBMG may not realize all of the potential revenue and profit from those contracts. Appropriations and the timing of payment may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures.

DBMG is exposed to potential risks and uncertainties associated with its reliance on subcontractors and third-party vendors to execute certain projects.

DBMG relies on third-party suppliers, especially suppliers of steel and steel components, and subcontractors to assist in the completion of projects. To the extent these parties cannot execute their portion of the work and are unable to deliver their services, equipment or materials according to the agreed-upon contractual terms, or DBMG cannot engage subcontractors or acquire equipment or materials, DBMG's ability to complete a project in a timely manner may be impacted. Furthermore, when bidding or negotiating for contracts, DBMG must make estimates of the amounts these third parties will charge for their services, equipment and materials. If the amount DBMG is required to pay for third-party goods and services in an effort to meet its contractual obligations exceeds the amount it has estimated, DBMG could experience project losses or a reduction in estimated profit.

Inflation and economic uncertainty may negatively impact DBMG's business.

Inflation in the United States and worldwide has increased DBMG's costs and may result in additional cost increases, including of steel and welding wire components and other inputs that are critical to the completion of DBMG's projects, may cause additional shortages of supplies and components, may increase cost of borrowing, and may continue to reduce DBMG's purchasing power, all of which would have a negative impact on DBMG's results of operation. Due to competitive pressure and pressure from DBMG's customers, DBMG may not be able to offset the impacts of inflation in the price of its products. Additionally, continued inflation and economic uncertainty may result in DBMG's customers decreasing the scope, canceling, or delaying projects in process.

Any increase in the price of, or change in supply and demand for, the steel and steel components that DBMG utilizes to complete projects could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

The prices of the steel and steel components that DBMG utilizes in the course of completing projects are susceptible to price fluctuations due to supply and demand trends, duties and tariffs, energy costs, transportation costs, government regulations, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. For example, the recent armed conflicts in Ukraine, the Middle East and Venezuela have resulted in significant uncertainty in the commodities markets. A prolonged conflict and any sanctions or import controls targeting the Russian oil and natural gas industries could lead to sustained increases in energy prices. Although DBMG may attempt to pass on certain of these increased costs to its customers, it may not be able to pass all of these cost increases on to its customers. As a result, DBMG's margins may be adversely impacted by such cost increases.

In addition, changes to steel import tariffs and counter tariffs could lead to significant increases in the cost of steel. Tariffs on components that we or our suppliers import from certain nations that have, or may in the future have, tariffs may adversely affect our profitability unless we are able to exclude such components from the tariffs or we raise prices for our products, which may result in our services and products becoming less attractive relative to services and products offered by our competitors. To the extent that our sales or profitability are negatively affected by any such tariffs or other trade actions, our business and results of operations may be materially adversely affected.

DBMG's dependence on suppliers of steel and steel components makes it vulnerable to a disruption in the supply of its products.

DBMG purchases a majority of the steel and steel components utilized in the course of completing projects from several domestic and foreign steel producers and suppliers. DBMG generally does not have long-term contracts with its suppliers. An adverse change in any of the following could have a material adverse effect on DBMG's results of operations or financial condition:

- its ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which it purchases products from its suppliers, including applicable exchange rates, transport costs and other costs, its suppliers' willingness to extend credit to it to finance its inventory purchases and other factors beyond its control;
- financial condition of its suppliers;
- political instability in the countries in which its suppliers are located;
- its ability to import products;
- its suppliers' noncompliance with applicable laws, trade restrictions and tariffs, including the imposition of or increase in tariffs, export controls and other trade restrictions;
- its inability to find replacement suppliers in the event of a deterioration of the relationship with current suppliers; or
- its suppliers' ability to manufacture and deliver products according to its standards of quality on a timely and efficient basis.

Intense competition in the markets DBMG serves could reduce DBMG's market share and earnings.

The principal geographic and product markets DBMG serves are highly competitive, and this intense competition is expected to continue. DBMG competes with other contractors for commercial, industrial and specialty projects on a local, regional, or national basis. Continued service within these markets requires substantial resources and capital investment in equipment, technology and skilled personnel, and certain of DBMG's competitors have financial and operating resources greater than DBMG. Competition also places downward pressure on DBMG's contract prices and margins. Among the principal competitive factors within the industry are price, timeliness of completion of projects, quality, reputation, and the desire of customers to utilize specific contractors with whom they have favorable relationships and prior experience.

While DBMG believes that it maintains a competitive advantage with respect to these factors, failure to continue to do so or to meet other competitive challenges could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's customers' ability to receive the applicable regulatory and environmental approvals for projects and the timeliness of those approvals could adversely affect DBMG's business.

The regulatory permitting process for DBMG's projects requires significant investments of time and money by DBMG's customers and DBMG. There are no assurances that DBMG's customers or DBMG will obtain the necessary permits for these projects. Applications for permits may be opposed by governmental entities, individuals or special interest groups, resulting in delays and possible non-issuance of the permits.

DBMG's failure to obtain or maintain required licenses may adversely affect its business.

DBMG is subject to licensure and holds licenses in each of the states in the United States in which it operates and in certain local jurisdictions within such states. While we believe that DBMG is in material compliance with all contractor licensing requirements in the various jurisdictions in which it operates, the failure to obtain, loss or revocation of any license or the limitation on any of DBMG's primary services thereunder in any jurisdiction in which it conducts substantial operations could prevent DBMG from conducting further operations in such jurisdiction and have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Volatility in equity and credit markets could adversely impact DBMG due to its impact on the availability of funding for DBMG's customers, suppliers and subcontractors.

Some of DBMG's ultimate customers, suppliers and subcontractors have traditionally accessed commercial financing and capital markets to fund their operations, and the availability of funding from those sources could be adversely impacted by volatile equity or credit markets. The unavailability of financing could lead to the delay or cancellation of projects or the inability of such parties to pay DBMG or provide needed products or services and thereby have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG's business may be adversely affected by bonding and letter of credit capacity.

Certain of DBMG's projects require the support of bid and performance surety bonds or letters of credit. A restriction, reduction, or termination of DBMG's surety bond agreements or letter of credit facilities could limit its ability to bid on new project opportunities, thereby limiting new awards, or to perform under existing awards.

DBMG is vulnerable to significant fluctuations in its liquidity that may vary substantially over time.

DBMG's operations could require the utilization of large sums of working capital, sometimes on short notice and sometimes without assurance of recovery of the expenditures. Circumstances or events that could create large cash outflows include losses resulting from fixed-price contracts, environmental liabilities, litigation risks, contract initiation or completion delays, customer payment problems, professional and product liability claims and other unexpected costs. There is no guarantee that DBMG's facilities will be sufficient to meet DBMG's liquidity needs or that DBMG will be able to maintain such facilities or obtain any other sources of liquidity on attractive terms, or at all.

DBMG's projects expose it to potential professional liability, product liability, warranty and other claims.

DBMG's operations are subject to the usual hazards inherent in providing engineering and construction services for the construction of often large commercial industrial facilities, such as the risk of accidents, fires and explosions. These hazards can cause personal injury and loss of life, business interruptions, property damage and pollution and environmental damage. DBMG may be subject to claims as a result of these hazards. In addition, the failure of any of DBMG's products to conform to customer specifications could result in warranty claims against it for significant replacement or rework costs, which could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Although DBMG generally does not accept liability for consequential damages in its contracts, should it be determined liable, it may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed applicable policy limits. Any catastrophic occurrence in excess of insurance limits at project sites involving DBMG's products and services could result in significant professional liability, product liability, warranty or other claims against DBMG. Any damages not covered by insurance, in excess of insurance limits or, if covered by insurance, subject to a high deductible, could result in a significant loss for DBMG, which may reduce its profits and cash available for operations. These claims could also make it difficult for DBMG to obtain adequate insurance coverage in the future at a reasonable cost. Additionally, customers or subcontractors that have agreed to indemnify DBMG against such losses may refuse or be unable to pay DBMG.

DBMG may experience increased costs and decreased cash flow due to compliance with environmental laws and regulations, liability for contamination of the environment or related personal injuries.

DBMG is subject to environmental laws and regulations, including those concerning emissions into the air, discharge into waterways, generation, storage, handling, treatment and disposal of waste materials and health and safety. DBMG's fabrication business often involves working around and with volatile, toxic and hazardous substances and other highly regulated pollutants, substances or wastes, for which the improper characterization, handling or disposal could constitute violations of U.S. federal, state or local laws and regulations and laws of other countries, and result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require DBMG to obtain permits and comply with various other requirements. Governmental authorities may seek to impose fines and penalties on DBMG, or revoke or deny issuance or renewal of operating permits for failure to comply with applicable laws and regulations. DBMG is also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. In connection with the historical operation of our facilities, substances which currently are or might be considered hazardous may have been used or disposed of at some sites in a manner that may require us to make expenditures for remediation.

The environmental, health and safety laws and regulations to which DBMG is subject are constantly changing, and it is impossible to predict the impact of such laws and regulations on DBMG in the future. We cannot ensure that DBMG's operations will continue to comply with future laws and regulations or that these laws and regulations will not cause DBMG to incur significant costs or adopt more costly methods of operation. Any expenditures in connection with compliance or remediation efforts or significant reductions in demand for DBMG's services as a result of the adoption of environmental proposals could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

Additionally, the adoption and implementation of any new regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, DBMG's customers' equipment and operations could significantly impact demand for DBMG's services, particularly among its customers for industrial facilities.

DBMG is and will likely continue to be involved in litigation that could have a material adverse effect on DBMG's results of operations, cash flows or financial condition.

DBMG has been and may be, from time to time, named as a defendant in legal actions claiming damages in connection with fabrication and other products and services DBMG provides and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with services performed relating to project or construction sites. Contractual disputes normally involve claims relating to the timely completion of projects or other issues concerning fabrication and other products and services DBMG provides. There can be no assurance that any of DBMG's pending contractual, employment-related personal injury or property damage claims and disputes will not have a material effect on DBMG's future results of operations, cash flows or financial condition.

Work stoppages, union negotiations and other labor problems could adversely affect DBMG's business.

A portion of DBMG's employees are represented by labor unions, and 23.9% of DBMG's employees are covered under collective bargaining agreements that expire in less than one year, at which time they will be renegotiated. A lengthy strike or other work stoppage at any of its facilities could have a material adverse effect on DBMG's business. There is inherent risk that ongoing or future negotiations relating to collective bargaining agreements or union representation may not be favorable to DBMG. From time to time, DBMG also has experienced attempts to unionize its non-union facilities. Such efforts can often disrupt or delay work and present risk of labor unrest.

DBMG's employees work on projects that are inherently dangerous, and a failure to maintain a safe work site could result in significant losses.

DBMG often works on large-scale and complex projects, frequently in geographically remote locations. Such involvement often places DBMG's employees and others near large equipment, dangerous processes or highly regulated materials. If DBMG or other parties fail to implement appropriate safety procedures for which they are responsible or if such procedures fail, DBMG's employees or others may suffer injuries. In addition to being subject to state and federal regulations concerning health and safety, many of DBMG's customers require that it meet certain safety criteria to be eligible to bid on contracts, and some of DBMG's contract fees or profits are subject to satisfying safety criteria. Unsafe work conditions also have the potential of increasing employee turnover, project costs and operating costs. The failure to comply with safety policies, customer contracts or applicable regulations could subject DBMG to losses and liability and could result in a variety of administrative, civil and criminal enforcement measures.

Risks Related to the Life Sciences segment

Pansend's operating results may fluctuate significantly, which makes its future operating results difficult to predict and could cause its operating results to fall below expectations.

Pansend's quarterly and annual operating results may fluctuate significantly, which makes it difficult for Pansend to predict its future operating results. These fluctuations may occur due to a variety of factors, many of which are outside of Pansend's control and may be difficult to predict, including:

- the timing and cost of, and level of investment in, research, development, and commercialization activities relating to Pansend's and its investees' product and product candidates, which may change from time to time;
- the timing of receipt of approvals or clearances for Pansend's and its investees' product candidates from regulatory authorities in the U.S. or internationally;
- the timing and status of enrollment for Pansend's and its investees' clinical trials; the timing and success or failure of nonclinical studies and clinical trials for Pansend's and its investees' product candidates or competing product candidates, or any other change in the competitive landscape of the life sciences industry, including consolidation among Pansend's and its investees' competitors or partners;
- coverage and reimbursement policies with respect to Pansend's and its investees' product and product candidates, including the degree to which treatments using its products are covered and receive adequate reimbursement from third-party payors, and potential future drugs or devices that compete with its products, and competition in general and competitive developments in the market;
- the cost of manufacturing Pansend's and its investees' product, as well as building out its supply chain, which may vary depending on the quantity of production and the terms of Pansend's agreements with manufacturers;
- expenditures that Pansend and its investees may incur to acquire, develop or commercialize additional product candidates and technologies;
- the level of demand for Pansend's and its investees' product and any product candidates, if approved or cleared, which may vary significantly over time and may experience seasonal fluctuations in demand;
- litigation, including patent, employment, securities class action, stockholder derivative, general commercial, product liability and other lawsuits or claims;
- changes in geographic, channel or product mix;
- weakness in consumer spending as a result of a slowdown in the global, U.S. or other economies;
- changes in relationships with our customers and distributors, including timing of orders; and
- our inability to scale, suspend or reduce production based on variations in product demand.

To respond to these and other factors, we may make business decisions that adversely affect our operating results such as modifications to our pricing policy, promotions, or operations. Most of our expenses, such as employee compensation, are relatively fixed in the short term. Moreover, expense levels are based, in part, on our expectations regarding future revenue levels. As a result, if our net revenues for a particular period fall below expectations, we may be unable to adjust spending quickly enough to offset any shortfall in net revenues. Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. You should not rely on our results for any one quarter as an indication of future performance.

The failure of R2 Technologies to pay its promissory note due to Lancer on August 1, 2026 or to extend or refinance such debt could have a material adverse effect on us.

On August 4, 2025, R2 Technologies amended and restated the senior secured promissory note payable by R2 Technologies to Lancer Capital, an investment fund led by Avram A. Glazer, the Chairman of the Company's board of directors. The original principal amount of the amended and restated note was \$43.5 million and the amended and restated note has an annual interest rate of 12%, or 14% upon the occurrence and during the continuation of an event of default. Accrued and unpaid interest is capitalized monthly into the principal balance. The entire outstanding principal amount of the amended and restated note, together with all accrued and unpaid interest thereon, is due and payable on the earlier to occur of (i) August 1, 2026, or (ii) the occurrence of (A) a Change of Control (as defined therein) or (B) the sale of all or substantially all of the assets of the R2 Technologies. As security for its obligations under the amended and restated note, R2 Technologies has granted Lancer Capital a first priority lien on all of its assets on the terms and subject to the conditions set forth in that Security Agreement dated as of July 13, 2022 by and between R2 Technologies and Lancer Capital and a lien on its intellectual property on the terms and subject to the conditions set forth in that Intellectual Property Security Agreement dated as of July 13, 2022 by and between R2 Technologies and Lancer Capital.

There can be no assurance that R2 Technologies will be able to pay the amended and restated promissory note when due, that it will be able to extend the maturity thereof on acceptable terms or on any terms or that it will be able to refinance the indebtedness thereunder on acceptable terms or on any terms. If R2 Technologies is unable to pay the amended and restated note when due, extend the maturity thereof or refinance its obligation thereunder, Lancer Capital would be able to exercise its remedies under the security agreements and Article 9 of the Delaware Uniform Commercial Code, including taking possession of all of the assets of R2 Technologies, selling them and applying the proceeds of the sale to satisfy the unpaid indebtedness. Any such sale would likely be a price less than the fair market value of R2 Technologies as a going concern and could materially and adversely affect our business, financial condition and results of operations.

Pansend operates in a highly competitive market, and may face competition from large, well-established medical technology, device and product manufacturers with significant resources, and may not be able to compete effectively.

The medical technology, medical device, biotechnology, and pharmaceutical industries are characterized by intense and dynamic competition to develop new technologies and proprietary therapies. Pansend faces competition from a number of sources, such as pharmaceutical companies, medical device companies, generic drug companies, biotechnology companies, and academic and research institutions. Pansend may find itself in competition with companies that have competitive advantages over us, such as:

- significantly greater name recognition;
- established relations with healthcare professionals, customers, and third-party payers;
- greater efficacy or better safety profiles;
- established distribution networks;
- additional lines of products, and the ability to offer rebates, higher discounts, or incentives to gain a competitive advantage;
- greater experience in obtaining patents and regulatory approvals for product candidates and other resources;
- greater experience in conducting research and development, manufacturing, clinical trials, obtaining regulatory approval for products, and marketing approved products; and
- greater financial and human resources for product development, sales and marketing, and patent litigation.

Pansend may also face increased competition in the future as new companies enter Pansend's markets and as scientific developments surrounding electro-signaling therapeutics continue to accelerate. While Pansend will seek to expand its technological capabilities to remain competitive, research and development by others may render its technology or product candidates obsolete or noncompetitive or result in treatments or cures superior to any therapy developed by us. In addition, certain of Pansend's product candidates may compete with other dermatological products, including over the counter ("OTC") treatments, for a share of some patients' discretionary budgets and for physicians' attention within their clinical practices. Even if a generic product or an OTC product is less effective than Pansend's product candidates, a less effective generic or OTC product may be more quickly adopted by physicians and patients than Pansend's competing product candidates based upon cost or convenience. As a result, Pansend may not be able to compete effectively against current and potential future competitors or their devices and products.

Pansend may rely on third parties for its sales, marketing, manufacturing and/or distribution, including delivery service providers, and these third parties may not perform satisfactorily. A disruption in the operations of our primary freight carrier or higher shipping costs could cause a decline in our net revenues or a reduction in our earnings.

To be able to commercialize Pansend's planned products, Pansend may elect to internally develop aspects of sales, marketing, large-scale manufacturing, or distribution, or Pansend may elect to utilize third parties with respect to one or more of these items. Pansend's reliance on these third parties may reduce its control over these activities; however, reliance on third parties does not relieve Pansend of its responsibility to ensure compliance with all required legal, regulatory, and scientific standards. Any failure of these third parties to perform satisfactorily and in compliance with relevant laws and regulations could lead to delays in the development of Pansend's planned products, including delays in its clinical trials, or failure to obtain regulatory approval for its planned products, or failure to successfully commercialize its planned products or other future products. Some of these events could be the basis for FDA or other regulatory action, including injunction, recall, seizure, or total or partial suspension of production.

R2 Technologies depends heavily on contracted third-party delivery service providers to deliver our products to our providers and customers. Interruptions to or failures in these delivery services could prevent the timely or successful delivery of our products. These interruptions or failures may be due to unforeseen events that are beyond our control or the control of our third-party delivery service providers, such as inclement weather, natural disasters or labor unrest, among others. If our products are not delivered on time or are delivered in a damaged state, providers and customers may refuse to accept our products and have less confidence in our services, which could negatively impact our relationships with our customers and distributors, business, financial condition and results of operations.

We are dependent on commercial freight carriers to deliver our products within the United States. If the operations of these carriers are disrupted for any reason, we may be unable to timely deliver our products to our customers. If we cannot deliver our products on time and cost effectively, our customers may choose competitive offerings causing our net revenues and gross margins to decline. In a rising fuel cost environment, our freight costs will increase. If freight costs materially increase and we are unable to pass that increase along to our customers for any reason or otherwise offset such increases in costs, our gross margin and financial results could be adversely affected.

A disruption in our operations could materially and adversely affect our business.

As a company engaged in distribution, our operations, including those of our third-party suppliers and delivery service providers, are subject to the risks inherent in such activities, including industrial accidents, supply chain disruptions, macroeconomic issues, environmental events, strikes and other labor disputes, disruptions in information systems, product quality control, safety, licensing requirements and other regulatory issues, changes in laws and regulatory requirements, as well as natural disasters, pandemics (such as the COVID-19 pandemic), border disputes, political crises, and other external factors over which we and our third-party suppliers, brokers and delivery service providers may have no control. Our ability to meet the needs of our consumers depends on the proper operation of our distribution facilities, where most of our inventory that is not in transit is housed. The loss of, or damage to, the manufacturing facilities or distribution centers of our third-party suppliers and delivery service providers could materially and adversely affect our business, financial condition and results of operations. Our insurance coverage may not be sufficient to cover the full extent of any loss or damage to our manufacturing facilities or distribution centers, and any loss, damage of or disruption to those facilities, or loss or damage of the inventory stored there, could materially and adversely affect our business, financial condition and results of operations.

Pansend may never become profitable.

To date, certain Pansend investees have not generated significant revenue and Pansend has historically relied on financing from the sale of equity securities and issuances of additional debt to fund its operations. We expect that Pansend's future financial results will depend primarily on its success in continuing to launch, sell, and support its therapies and treatments, including R2 Technologies' Glacial systems or other products based on Pansend's technology. Pansend expects to expend significant resources on hiring of personnel, continued scientific and product research and development, potential product testing and pre-clinical and clinical investigation, intellectual property development and prosecution, marketing and promotion, capital expenditures, working capital, general and administrative expenses, and fees and expenses associated with Pansend's capital raising efforts. Pansend is expected to incur costs and expenses related to consulting costs, laboratory development costs, hiring of scientists, engineers, sales representatives, and other operational personnel, and the continued development of relationships with potential partners. Pansend is incurring significant operating losses, and is expected to continue to incur additional losses for the foreseeable future, and we cannot assure you that it will generate significant revenue or be profitable in the future. There are no assurances that Pansend's future products will be cleared or approved or become commercially viable or accepted for use. Even with commercially viable applications of Pansend's technology, which may include licensing, Pansend may never recover its research and development expenses. Investment in medical technology is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product will fail to demonstrate adequate efficacy or clinical utility. Investors should evaluate an investment in Pansend in light of the uncertainties encountered by developing medical technology companies and life sciences companies in a competitive environment. There can be no assurance that Pansend's efforts will be successful or that it will ultimately be able to achieve profitability. Even if Pansend achieves profitability, it may not be able to sustain or increase profitability on a quarterly or annual basis.

We may not be able to successfully implement our growth strategy and we may be unable to grow our business effectively or efficiently, which would harm our business, financial condition and results of operations.

Our future growth, profitability and cash flows depend upon our ability to successfully implement our business strategy, which, in turn, is dependent upon a number of key initiatives, including our ability to: drive demand in the brand; invest in our providers; and improve productivity in our retailers, U.S. medical spa facilities and U.S. spa facilities.

There can be no assurance that we can successfully achieve any or all of the above initiatives in the manner or time period that we expect. Further, achieving these objectives will require investments that may result in short-term cost increases with net sales materializing on a longer-term horizon and therefore may be dilutive to earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

Growing our business will place a strain on our management team, financial and information systems, supply chain and distribution capacity and other resources. To manage growth effectively, we must continue to: enhance our operational, financial and management systems, including warehouse management and inventory control; maintain and improve internal controls, disclosure controls and procedures; maintain and improve information technology systems and procedures; and expand, train and manage our employee base. We may not be able to effectively manage our expansion in any one or more of these areas, and any failure to do so could significantly harm our business, financial condition and results of operations. Growing our business may make it difficult for us to adequately predict the expenditures we will need to make in the future. If we do not make the necessary overhead expenditures to accommodate our future growth, we may be unsuccessful in executing our growth strategy and our results of operations could suffer.

R2 Technologies' success depends upon customer demand and patient satisfaction with its procedures.

R2 Technologies' procedures are elective aesthetic procedures, the cost of which must be borne by the patient and is generally not covered by or reimbursable through government or private health insurance. In order to generate repeat and referral business, patients must be satisfied with the effectiveness of the procedures conducted using R2's systems. The decision to undergo one of R2 Technologies' procedures is, thus, driven by patient demand, which may be influenced by a number of factors, such as:

- the success of R2 Technologies' sales and marketing programs;
- the extent to which R2 Technologies' physician customers recommend its procedures to their patients;
- the extent to which R2 Technologies' procedures satisfy patient expectations;
- R2 Technologies' ability to properly train its physician customers in the use of its systems so that their patients do not experience excessive discomfort during treatment or adverse side effects;
- the cost, safety, and effectiveness of R2 Technologies' systems versus other aesthetic treatments;
- consumer sentiment about the benefits and risks of aesthetic procedures generally and R2 Technologies' systems in particular;
- the success of any direct-to-consumer marketing efforts R2 Technologies may initiate; and
- general consumer confidence, which may be impacted by economic and political conditions outside of R2 Technologies' control.

R2 Technologies' financial performance will be negatively impacted in the event it cannot generate significant patient demand for procedures performed with its systems.

Demand for our products may not increase as rapidly as we anticipate due to a variety of factors, including a weakness in general economic conditions and resistance to non-traditional treatment methods.

Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. A general slowdown in the U.S. economy and certain international economies or an uncertain economic outlook could adversely affect consumer spending habits which may, among other things, result in reduced patient traffic in dermatology or internal medicine offices and in medical spa facilities and spa facilities, a reduction in consumer spending on elective, non-urgent or higher value treatments, such as those offered by our providers, or a reduction in the demand for aesthetic services generally, each of which could have a material adverse effect on our sales and operating results. Weakness in the global economy results in a challenging environment for selling aesthetic technologies and doctors or estheticians may postpone investments in capital equipment, such as our Glacial systems. Increased market acceptance of our products and treatments will depend in part upon the recommendations of medical and aesthetics professionals, as well as other factors including effectiveness, safety, ease of use, reliability, aesthetics and price compared to competing products and treatment methods.

Pansend's failure to obtain or maintain necessary FDA or foreign market clearances and approvals, or to maintain continued clearances, or equivalents thereof in the U.S. and relevant foreign markets, could hurt its ability to distribute and market its products.

In both Pansend's U.S. and foreign markets, Pansend is affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the U.S. and at analogous levels of government in foreign jurisdictions. In addition, the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of Pansend's products are subject to extensive regulation by various federal agencies, including, but not limited to, the FDA and the FTC, State Attorneys General in the U.S., as well as by various other federal, state, local and international regulatory authorities in the countries in which Pansend's products are manufactured, distributed or sold. If Pansend or its manufacturers fail to comply with those regulations, Pansend could become subject to significant penalties or claims, which could harm its results of operations or its ability to conduct its business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may impair the marketing of its products, resulting in significant loss of net sales.

Pansend's failure to comply with federal or state regulations, or with regulations in foreign markets that cover its product claims and advertising, including direct claims and advertising by us, may result in enforcement actions and imposition of penalties or otherwise harm the distribution and sale of its products. Each medical device that Pansend wishes to market in the U.S. must first receive either 510(k) clearance or premarket approval ("PMA") from the FDA unless an exemption applies. Either process can be lengthy and expensive. The FDA's 510(k) clearance process may take from three to twelve months, or longer, and may or may not require human clinical data. The PMA process is much more costly and lengthy. It may take from eleven months to three years, or even longer, and will likely require significant supporting human clinical data. Delays in obtaining regulatory clearance or approval could adversely affect Pansend's revenues and profitability.

R2 Technologies has obtained 510(k) clearances for its Glacial Rx system for various uses, including, but not limited to: the removal of benign lesions of the skin; the use of cooling technologies intended for the temporary reduction of pain; swelling; inflammation; hematoma for minor surgical procedures; general dermabrasion; scar revision; acne scar revision; tattoo removal; and minimization of pain, inflammation and thermal injury during laser and dermatological treatments. However, these approvals and clearances may be subject to revocation if post-marketing data demonstrates safety issues or lack of effectiveness. Many medical devices, such as medical lasers, are also regulated by the FDA as "electronic products." In general, manufacturers and marketers of "electronic products" are subject to certain FDA regulatory requirements intended to ensure the radiological safety of the products. These requirements include, but are not limited to, filing certain reports with the FDA about the products and defects/safety issues related to the products as well as complying with radiological performance standards.

The medical device industry is now experiencing greater scrutiny and regulation by federal, state and foreign governmental authorities. Companies in the life sciences industry are subject to more frequent and more intensive reviews and investigations, often involving the marketing, business practices, and product quality management. Such reviews and investigations may result in civil and criminal proceedings; the imposition of substantial fines and penalties; the receipt of warning letters, untitled letters, demands for recalls or the seizure of Pansend's products; the requirement to enter into corporate integrity agreements, stipulated judgments or other administrative remedies, and result in Pansend's incurring substantial unanticipated costs and the diversion of key personnel and management's attention from their regular duties, any of which may have an adverse effect on Pansend's financial condition, results of operations and liquidity, and may result in greater and continuing governmental scrutiny of Pansend's business in the future.

Additionally, federal, state and foreign governments and entities have enacted laws and issued regulations and other standards requiring increased visibility and transparency of Pansend's interactions with healthcare providers. For example, the U.S. Physician Payment Sunshine Act, now known as Open Payments, requires Pansend to report to the Centers for Medicare & Medicaid Services, or CMS, payments and other transfers of value to all U.S. physicians and U.S. teaching hospitals, with the reported information made publicly available on a searchable website. Failure to comply with these legal and regulatory requirements could impact Pansend's business, and it has had and will continue to spend substantial time and financial resources to develop and implement enhanced structures, policies, systems and processes to comply with these legal and regulatory requirements, which may also impact Pansend's business and which could have a material adverse effect on its business, financial condition, and results of operations.

International regulatory approval processes may take more or less time than the FDA clearance or approval process. If Pansend fails to comply with applicable FDA and comparable non-U.S. regulatory requirements, it may not receive regulatory clearances or approvals or may be subject to FDA or comparable non-U.S. enforcement actions. Pansend may be unable to obtain future regulatory clearance or approval in a timely manner, or at all, especially if existing regulations are changed or new regulations are adopted. For example, the FDA clearance or approval process can take longer than anticipated due to requests for additional clinical data and changes in regulatory requirements. A failure or delay in obtaining necessary regulatory clearances or approvals would materially adversely affect Pansend's business, financial condition, and results of operations. Further, more stringent regulatory requirements or safety and quality standards may be issued in the future with an adverse effect on Pansend's business.

Pansend's customers, or physicians, aestheticians and technicians, as the case may be, may misuse certain of its products, and product liability lawsuits and other damages imposed on Pansend may have a material adverse impact on its business.

Pansend faces an inherent risk of product liability as a result of the marketing and sale of its products. For example, Pansend may be sued if its products cause or are perceived to cause injury or are found to be otherwise unsuitable during manufacturing, marketing or sale. Any such product liability claim may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or breach of warranty. Pansend's products are highly complex, and some are used to treat delicate skin conditions on and near a patient's face. In addition, the clinical testing, manufacturing, marketing and use of certain of Pansend's products and procedures may also expose Pansend to product liability, FDA regulatory and/or legal actions, or other claims. If a physician elects to apply an off-label use and the use leads to injury, Pansend may be involved in costly litigation. In addition, the fact that Pansend trains technicians whom it does not supervise in the use of the Glacial Rx system during patient treatment may expose Pansend to third-party claims if it is accused of providing inadequate training. Pansend may also be subject to claims against it even if the apparent injury is due to the actions of others or the pre-existing health of the patient. For example, Pansend relies on physicians in connection with the use of its products on patients. If these physicians are not properly trained or are negligent, the capabilities and safety features of Pansend's products may be diminished or the patient may suffer critical injury. Pansend may also be subject to claims that are caused by the actions of Pansend's suppliers, such as those who provide it with components and sub-assemblies. A product liability claim or product recall may result in losses that could result in the FDA taking legal or regulatory enforcement action against Pansend and/or Pansend's products including recall, and could have a material adverse effect upon Pansend's business, financial condition and results of operations.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our business requires us to manage inventory effectively. We depend on our forecasts of demand for, and popularity of, various products to make purchase decisions and to manage our inventory of stock-keeping units. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. Demand may be affected by seasonality, rapid changes in product pricing, product defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products, competitors' product launches, and other factors, and our consumers may not purchase products in the quantities that we expect. It may be difficult to accurately forecast demand and determine appropriate levels of product or components. If we fail to manage our inventory effectively we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, if we are required to lower sale prices to reduce inventory level or to pay higher prices to our suppliers, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Pansend has limited experience in manufacturing its products in large-scale commercial quantities and may face manufacturing risks, including an inability to scale, suspend or reduce production based on variations in product demand, that may adversely affect its ability to manufacture products and could reduce its gross margins and negatively affect its business and operating results.

Pansend's success depends, in part, on its ability to manufacture its current and future products in sufficient quantities and on a timely basis to meet demand, while adhering to product quality standards, complying with regulatory quality system requirements and managing manufacturing costs. For example, R2 Technologies' third-party contract manufacturer has a manufacturing facility located in Sunnyvale, California where they produce, package and warehouse the Glacial Rx, Glacial fx and Glacial Spa systems. R2 Technologies also relies on a global third-party manufacturer for production of some of the components used in the Glacial Rx and Glacial fx/Spa systems. If R2 Technologies' facility, or the facilities of its third-party contract manufacturers, suffer damage, or a force majeure event, this could materially impact R2 Technologies' ability to operate.

Pansend is also subject to other risks relating to its manufacturing capabilities, including:

- quality and reliability of components, sub-assemblies and materials that Pansend sources from third-party suppliers, who are required to meet Pansend's quality specifications, some of whom are Pansend's single-source suppliers for the products they supply;
- failure to secure raw materials, components and materials in a timely manner, in sufficient quantities or on commercially reasonable terms;
- inability to secure raw materials, components and materials of sufficient quality to meet the exacting needs of medical device manufacturing;
- failure to maintain compliance with quality system requirements or pass regulatory quality inspections;
- inability to increase, suspend or reduce production capacity or volumes to meet demand; and
- inability to design or modify production processes to enable Pansend to produce future products efficiently or implement changes in current products in response to design or regulatory requirements.

These risks could be exacerbated by Pansend's limited experience as an entity with large-scale commercial manufacturing. As demand for Pansend's products increases, Pansend will have to invest additional resources to purchase raw materials and components, sub-assemblies and materials, hire and train employees and enhance Pansend's manufacturing processes. If Pansend fails to increase Pansend's production capacity efficiently to meet demand for its products, it may not be able to fill customer orders on a timely basis, its sales may not increase in line with Pansend's expectations and Pansend's operating margins could fluctuate or decline. It may not be possible for Pansend to manufacture Pansend's products at a cost or in quantities sufficient to make these products commercially viable or to maintain current operating margins, all of which could have a material adverse effect on Pansend's business, financial condition and results of operations.

There is a limited talent pool of experienced professionals in the life sciences industry. If Pansend is not able to retain and recruit personnel with the requisite technical skills, it may be unable to successfully execute Pansend's business strategy.

The specialized nature of Pansend's industry results in an inherent scarcity of experienced personnel in the field. Pansend's future success depends upon Pansend's ability to attract and retain highly skilled personnel, including scientific, technical, commercial, business, regulatory and administrative personnel, necessary to support Pansend's anticipated growth, develop Pansend's business and perform certain contractual obligations. Given the scarcity of professionals with the scientific knowledge that Pansend requires and the competition for qualified personnel among life sciences businesses, Pansend may not succeed in attracting or retaining the personnel Pansend requires to continue and grow its operations.

Rapidly changing technology in life sciences could make the products Pansend is developing obsolete.

The life sciences industries are characterized by rapid and significant technological changes, frequent new product introductions and enhancements, and evolving industry standards. Pansend's future success will depend on Pansend's ability to continually develop and then improve the products that Pansend designs and to develop and introduce new products that address the evolving needs of Pansend's customers on a timely and cost-effective basis. Pansend also will need to pursue new market opportunities that develop as a result of technological and scientific advances. These new market opportunities may be outside the scope of Pansend's proven expertise or in areas which have unproven market demand. Any new products developed by Pansend may not be accepted in the intended markets. Pansend's inability to gain market acceptance of new products could harm Pansend's future operating results.

If Pansend is unable to effectively protect its intellectual property, it may not be able to operate its business, and third parties may be able to use and profit from its technology, both of which would impair Pansend's ability to be competitive.

Pansend's success will be heavily dependent on its ability to obtain and maintain meaningful patent protection for Pansend's technologies and products throughout the world. Patent law relating to the scope of claims in the technology fields in which Pansend will operate is still evolving. The amount of ongoing protection for Pansend's proprietary rights, therefore, is uncertain. Pansend will rely on patents to protect a significant part of Pansend's intellectual property and to enhance Pansend's competitive position. However, Pansend's pending or future patent applications may be denied, and any patent previously issued to Pansend or Pansend's subsidiaries may be challenged, invalidated, held unenforceable or circumvented. In particular, R2 Technologies filed a patent application with the U.S. Patent and Trademark Office for a commercial patent that covers the Glacial Rx System, U.S. Patent No. 9522031 through 2029, with additional issued patents or patent applications that, once allowed, will protect coverage through 2042. Furthermore, the patent protections Pansend has been granted may not be broad enough to prevent competitors from producing products similar to Pansend's. In addition, the laws of various foreign countries in which Pansend may compete, such as China, may not protect Pansend's intellectual property to the same extent as the laws of the United States. If Pansend fails to obtain adequate patent protection for Pansend's proprietary technology, Pansend's ability to be commercially competitive will be materially impaired. In the ordinary course of business and as appropriate, Pansend intends to apply for additional patents covering both Pansend's technologies and products, as it deems appropriate. Pansend's existing patents and any future patents it obtains may not be sufficiently broad to prevent others from making use of technologies or developing competing products and technologies. In addition, because patent law is evolving in the life sciences industry, the patent positions of companies like ours are uncertain. As a result, the validity and enforceability of Pansend's patents cannot be predicted with certainty.

If third parties make claims of intellectual property infringement against Pansend, or otherwise seek to establish their intellectual property rights equal or superior to Pansend's, it may have to spend time and money in response and potentially discontinue certain of Pansend's operations.

While Pansend currently does not believe it to be the case, third parties may claim that Pansend is employing their proprietary technology without authorization or that Pansend is infringing on their patents. If such claims were made, Pansend could incur substantial costs coupled with diversion of Pansend's management and key technical personnel in defending against these claims. Furthermore, parties making claims against Pansend may be able to obtain injunctive or other equitable relief which could effectively halt Pansend's ability to further develop, commercialize and sell products. In the event of a successful claim of infringement, courts may order Pansend to pay damages and obtain one or more licenses from third parties. Pansend may not be able to obtain these licenses at a reasonable cost, if at all. Defense of any lawsuit or failure to obtain any of these licenses could prevent Pansend from commercializing available products and have a material negative effect on Pansend's business.

Therapies targeted by Scaled Cell represent a novel approach toward treatment of certain diseases. Increased regulatory scrutiny or negative perception of certain therapies or treatments could adversely affect our business. Patients receiving CAR-T therapies or other treatment may experience severe adverse events, which may affect clinical development, regulatory approval, and public perception.

Scaled Cell is currently targeting chimeric antigen receptor CAR-T cell therapy which uses immune cells called T cells that are genetically altered in a lab to enable them in locating and destroying cancer cells more effectively. Cellular therapies like CAR-T remain novel, have caused severe side effects, including death, and may not gain widespread acceptance by the public or the medical community. Additionally, adverse events in clinical trials of Scaled Cell candidates or in other companies' clinical trials could result in a decrease in demand for products developed by Scaled Cell. Advancing CAR-T therapy creates other challenges, including those related to the manufacturing, sourcing, licensing, education, and regulation of such therapies. Additionally, responses by the FDA or other federal and state agencies to negative public perception or ethical concerns could result in increased regulation or legislation of CAR-T therapies.

Certain product candidates of Scaled Cell may have serious and potentially fatal consequences. Developments of similarly designed therapies have experienced events related to neurotoxicity and cytokine release syndrome (CRS). There is a possibility that Scaled Cell could have similarly life threatening or serious adverse side effects.

Risks related to the Spectrum segment

Our broadcasting business operates in highly competitive markets and our ability to maintain market share and generate operating revenues depends on how effectively we compete with existing and new competition.

Spectrum's broadcast stations compete for audiences and advertising revenue with other broadcast stations as well as with other media such as the Internet and radio. Broadcasting also faces competition from (i) local free OTA broadcast television and radio stations; (ii) telecommunication companies; (iii) cable and satellite system operators and cable networks; (iv) print media providers such as newspapers, direct mail and periodicals; (v) internet search engines, internet service providers, websites, and mobile applications; (vi) viewers moving to programming alternatives and alternate media content providers, a process known as "cord cutting"; and (vii) other emerging technologies including mobile television. Some of Broadcasting's current and potential competitors have greater financial and other resources than Broadcasting does and so may be better placed to extend audience reach and expand programming. Many of Broadcasting's competitors possess greater access to capital, and its financial resources may be relatively limited when contrasted with those of such competitors. If Broadcasting needs to obtain additional funding, Broadcasting may be unable to raise such capital or, if Broadcasting is able to obtain capital it may be on unfavorable terms. If Broadcasting is unable to obtain additional funding as and when needed, it could be forced to delay its development, marketing and expansion efforts and, if it continues to experience losses, potentially cease operations.

In addition, broadcast consumers' desire for control over their viewing experience and the methods by which they consume content continue to evolve rapidly. Consumers are also increasingly using services with time-shifting or advertisement-skipping capability, or with reduced or no advertising at all. These shifts in consumer behavior create challenges with respect to maintaining predictable broadcasting revenue, and substantial adoption of alternative technologies could negatively affect our overall broadcasting business. Also, a slowing adoption of the ATSC 3.0 standards, as well as potential barriers related to an industry shift to next-generation telecommunications technologies, such as 5G and datacasting may lead to an unpredictable landscape for the broadcasting industry.

Cable companies and others have developed national advertising networks in recent years that increase the competition for national advertising. Over the past decade, cable television programming services, other emerging video distribution platforms and the Internet have captured increasing market share. Cable providers, direct broadcast satellite companies and telecommunication companies are developing new technology that allows them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television industry into ever more specialized niche markets. The decreased cost of creating channels may also encourage new competitors to enter Broadcasting's markets and compete with us for advertising revenue. In addition, technologies that allow viewers to digitally record, store and play back television programming may decrease viewership of commercials as recorded by media measurement services and, as a result, lower Spectrum's advertising revenues. Furthermore, technological advancements and the resulting increase in programming alternatives, such as cable television, direct broadcast satellite systems, pay-per-view, home video and entertainment systems, video-on-demand, mobile video and the Internet have also created new types of competition to television broadcast stations and will increase competition for household audiences and advertisers. We cannot provide any assurances that we will remain competitive with these developing technologies and our inability to successfully respond to new and growing sources of competition in the broadcasting industry could have an adverse effect on Broadcasting's business, financial condition and results of operations.

The FCC could implement regulations or the U.S. Congress could adopt legislation that might have a significant impact on the operations of the stations we own and the stations we provide services to or the television broadcasting industry as a whole.

The FCC regulates Broadcasting's broadcasting business. We must often times obtain the FCC's approval to obtain, renew, assign or modify, a license, purchase a new station, sell an existing station or transfer the control of one of Broadcasting's subsidiaries that hold a license. Broadcasting's FCC licenses are critical to Broadcasting's operations; we cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions in a timely manner, if at all. If licenses are not renewed or acquisitions are not approved, we may lose revenue that we otherwise could have earned and this would have an adverse effect on Broadcasting's business, financial condition and results of operations.

In addition, Congress and the FCC may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters (including, but not limited to, technological changes in spectrum assigned to particular services) that could, directly or indirectly, materially and adversely affect the operation and ownership of Broadcasting's broadcast properties.

Broadcasting Licenses are issued by, and subject to the jurisdiction of the FCC, pursuant to the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act empowers the FCC, among other actions, to issue, renew, revoke and modify broadcasting licenses; determine stations' frequencies, locations and operating power; regulate some of the equipment used by stations; adopt other regulations to carry out the provisions of the Communications Act and other laws, including requirements affecting the content of broadcasts; and to impose penalties for violation of its regulations, including monetary forfeitures, short-term renewal of licenses and license revocation or denial of license renewals. Any of these actions imposed by the FCC could result in the loss of station licenses or assets.

License Renewals. Broadcast television licenses are typically granted for standard terms of eight years. Most licenses for commercial and noncommercial TV broadcast stations, Class A TV broadcast stations, television translators and LPTV broadcast stations have expirations between 2028 and 2031; however, the Communications Act requires the FCC to renew a broadcast license if the FCC finds that the station has served the public interest, convenience and necessity and, with respect to the station, there have been no serious violations by the licensee of either the Communications Act or the FCC's rules and regulations and there have been no other violations by the licensee of the Communications Act or the FCC's rules and regulations that, taken together, constitute a pattern of abuse. The Company had no pending renewal applications at the end of 2025, and will have no applications due in 2026. Third parties may oppose license renewals. A station remains authorized to operate while its license renewal application is pending.

License Assignments. The Communications Act requires prior FCC approval for the assignment or transfer of control of an FCC licensee. Third parties may oppose the Company's applications to assign, transfer or acquire broadcast licenses.

Full Power and Class A Station Regulations. The Communications Act and FCC rules and regulations limit the ability of individuals and entities to have certain official positions or ownership interests, known as "attributable" interests, above specific levels in full power broadcast stations as well as in other specified mass media entities. Many of these limits do not apply to Class A stations, television translators and LPTV authorizations. In seeking FCC approval for the acquisition of a broadcast television station license, the acquiring person or entity must demonstrate that the acquisition complies with applicable FCC ownership rules or that a waiver of the rules is in the public interest. Additionally, while the Communications Act and FCC regulations have been modified to no longer strictly prohibit ownership of a broadcast station license by any corporation with more than 25 percent of its stock owned or voted by non-U.S. persons, their representatives or any other corporation organized under the laws of a foreign country, foreign ownership above such threshold is determined by the FCC on a case-by-case basis, which analysis is subject to the specific circumstances of each such request. The FCC has also adopted regulations concerning children's television programming, commercial limits, local issues and programming, political files, sponsorship identification, equal employment opportunity requirements and other requirements for full power and Class A broadcast television stations. The FCC's rules require operational full-power and Class A stations to file quarterly reports demonstrating compliance with these regulations.

LPTV and TV Translator Authorizations. LPTV stations and TV Translators have "secondary spectrum priority" to full-service television stations. The secondary status of these authorizations prohibits LPTV and TV Translator stations from causing interference to the reception of existing or future full-service television stations and requires them to accept interference from existing or future full-service television stations and other primary licensees. LPTV and TV Translator licensees are subject to fewer regulatory obligations than full-power and Class A licensees, and there no limit on the number of LPTV stations that may be owned by any one entity.

Obscenity and Indecency Regulations. Federal law and FCC regulations prohibit the broadcast of obscene material on television at any time and the broadcast of indecent material between the hours of 6:00 a.m. and 10:00 p.m. local time. The FCC investigates complaints of broadcasts of prohibited obscene or indecent material and can assess fines of up to \$0.35 million per incident for violation of the prohibition against obscene or indecent broadcasts and up to \$3.3 million for any continuing violation based on any single act or failure to act. The FCC may also revoke or refuse to renew a broadcast station license based on a serious violation of the agency's obscenity and indecency rules.

Continued uncertain financial and economic conditions may have an adverse impact on our business, results of operations or financial condition.

Financial and economic conditions continue to be uncertain over the longer term and the continuation or worsening of such conditions could reduce consumer confidence and have an adverse effect on our business, results of operations and/or financial condition. If consumer confidence were to decline, this decline could negatively affect our advertising customers' businesses and their advertising budgets. In addition, volatile economic conditions could have a negative impact on our industry or the industries of our customers who advertise on our stations, resulting in reduced advertising sales. Furthermore, it may be possible that actions taken by any governmental or regulatory body for the purpose of stabilizing the economy or financial markets will not achieve their intended effect. In addition to any negative direct consequences to our business or results of operations arising from these financial and economic developments, some of these actions may adversely affect financial institutions, capital providers, advertisers or other consumers on whom we rely, including for access to future capital or financing arrangements necessary to support our business. Our inability to extend or obtain financing in amounts and at times necessary could make it more difficult or impossible to meet our obligations or otherwise take actions in our best interests.

Certain stations are also benefiting from our retransmission consent agreements with multichannel video programming distributors ("MVPDs"), and we cannot predict the outcome of potential regulatory changes to the retransmission consent regime.

Certain stations are also benefiting, although in very few instances on a small number of stations, on retransmission consent agreements. Our current retransmission consent agreements expire at various times over the next several years. No assurances can be provided that we will be able to renegotiate all of such agreements on favorable terms, on a timely basis, or at all. The failure to renegotiate such agreements could have no material adverse effect on our business and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management, Strategy, and Governance

Cybersecurity is a critical component of our operational integrity and strategic planning. Recognizing the evolving nature of cyber threats, we are committed to implementing robust cybersecurity measures to safeguard our digital assets, protect stakeholder interests, and ensure continuity of our operations.

Cybersecurity Risk Management Processes

Our approach to managing cybersecurity risks is proactive and comprehensive. We employ a range of methods to assess, identify and manage the risk of potential cybersecurity threats, including regular security audits, utilization of a third party service provider for security measures over our virtual environment, threat intelligence monitoring, and vulnerability assessments. We assess risks associated with third-party providers as part of our overall cybersecurity risk management framework by reviewing system and organization controls reports, when available, and other independent reports. We also generally require third parties to, among other things, maintain security controls to protect our confidential information and to promptly notify us of material breaches that may impact our data. Our risk management framework is designed to mitigate potential cybersecurity risks through a blend of technological safeguards, employee training programs, and incident response protocols. We devote resources to maintain and regularly update our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets against attempts by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, and we have implemented certain review and approval procedures internally and with our banks; and have implemented system-wide changes.

Cybersecurity Strategy and Investment

Our cybersecurity strategy is integral to our broader risk management policy. We invest in state-of-the-art cybersecurity technologies and infrastructure to enhance our defensive capabilities and have a dedicated system of internal controls in place to prevent, monitor and remediate cyber risks including any risks from utilization of third party service providers. Additionally, we allocate resources for ongoing staff training and awareness programs to foster a culture of cybersecurity mindfulness across the organization and maintain dedicated channels of communication with our third party service provider monitoring our virtual environment to facilitate timely cyber incident identification and remediation. Our strategic investments in cybersecurity are tailored to address the unique challenges and risks pertinent to our industry and operational scope.

Governance and Oversight

The governance of our cybersecurity efforts is overseen by the Audit Committee, which includes individuals with experience in technology and cybersecurity. The board regularly reviews and guides our cybersecurity policies and practices. Management plays a critical role in implementing these policies and in the day-to-day management of cybersecurity risks. They are empowered with the maintenance, communication and enforcement of cybersecurity policies and employ proactive measures to improve cybersecurity through review of various third party cyber tools for potential implementation. Our Head of IT and Chief Financial Officer ("CFO") are responsible for overseeing the implementation of cybersecurity strategies and ensuring compliance with regulatory standards. In addition to our in-house expertise, our independent external auditors and our outsourced internal audit team, regularly test and assess our cybersecurity controls. Any cyber incidents that occur are escalated to the CFO to facilitate resolution. Any incident determined to be material is discussed with the Audit Committee and communicated to our internal and external auditors as well as our third party virtual environment service provider, when relevant.

Material Effects of Cybersecurity Risks

Our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats or incidents. However, we cannot provide assurances that they will not be materially affected by such risks or material incidents in the future. We continually assess the material effects of potential cybersecurity risks on our financial and operational performance and maintain comprehensive insurance coverage to mitigate financial losses from potential cybersecurity incidents.

Compliance and Regulatory Considerations

Our cybersecurity practices are in alignment with industry standards and regulatory requirements. We conduct regular reviews to ensure compliance with evolving cybersecurity laws and regulations. There have been no legal or regulatory proceedings related to cybersecurity against the Company in the reported period. We intend to further enhance our cybersecurity measures in response to the dynamic cyber threat landscape. This includes continuing to invest in advanced security technologies, refining our risk assessment methodologies, and continuing our commitment to staff training and development in cybersecurity awareness and best practices.

ITEM 2. PROPERTIES

Our corporate headquarters are located in New York, New York. We own select fabrication facilities, warehouses, administrative and sales offices and lease administrative, technical and sales office space in various locations in the countries in which we operate. DBMG is headquartered in Phoenix, Arizona; Spectrum is headquartered in New York, New York; R2 Technologies is headquartered in Dublin, California. We believe that our present administrative, technical and sales office facilities are adequate for our anticipated operations and that similar space can be obtained readily as needed.

ITEM 3. LEGAL PROCEEDINGS

The information regarding any legal proceedings as set forth in Note 13. Commitments and Contingencies of the Consolidated Financial Statements, included in this Annual Report on Form 10-K, is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

INNOVATE common stock trades on the NYSE under the ticker symbol "VATE".

Holders of Common Stock

As of March 23, 2026, INNOVATE had approximately 43 holders of record of its common stock. This number does not include stockholders for whom shares were held in "nominee" or "street" name.

Dividends

INNOVATE paid no dividends on its common stock in 2025 or 2024, and our board of directors has no current intention of paying any dividends on our common stock in the near future. The payment of dividends on common stock, if any, in the future is within the discretion of our board of directors and will depend on our earnings, our capital requirements, financial condition, the ability to comply with the requirements of the law and agreements governing our and our subsidiaries indebtedness. The secured indentures governing certain of our debt instruments contain covenants that, among other things, limit or restrict our ability to make certain restricted payments, including the payment of cash dividends with respect to our common stock. DBMG has a revolving line of credit and a term loan which contain similar covenants applicable to DBMG. Refer to *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* and Note 11. Debt Obligations to our Consolidated Financial Statements included in this Annual Report on Form 10-K for more detail concerning our Secured Notes and other financing arrangements. Moreover, dividends may be restricted by other arrangements entered into in the future by us.

For details on preferred share dividends refer to Note 16. Equity and Temporary Equity to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

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 year ended December 31, 2025, there were 15,122 shares withheld in connection with the vesting of employee equity awards at a weighted-average price of \$7.52 per share.

Unregistered Sales of Equity Securities

None.

ITEM 6. [RESERVED]

ITEM 7. 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 our consolidated annual financial statements and the notes thereto, each of which are contained in *Item 8*, entitled "*Financial Statements and Supplementary Data*," and other financial information included herein. 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 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 Annual Report on Form 10-K, "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 as of December 31, 2025: 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 Consolidated Financial Statements of this Annual Report on Form 10-K, 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; customer spending patterns, including seasonal trends, and the financial condition of our customers and their access to capital; our profit margins on projects performed during any particular period; rising interest rates and inflation; and regulatory, 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

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 available proceeds from such transaction to address our capital structure.

During 2025, as part of our strategic process, we have 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.

Debt Obligations and Financing

During 2025, we refinanced our debt, including at the Corporate and subsidiary level. This financing helped us provide needed capital for our operations and the operations of our subsidiaries, and the refinancing of the debt, which, among other things, extended the maturities of the debt, allows us to continue to pursue our strategic plans.

Infrastructure

On May 20, 2025, DBMG entered into an Amended and Restated Credit agreement (the "DBMG Credit Agreement"), with the lenders which are party thereto from time to time (each a "Lender" and collectively the "Lenders") and UMB BANK, N.A. ("UMB"). The DBMG Credit Agreement provides DBMG with senior secured debt financing in an amount up to \$220.0 million in the aggregate, consisting of (i) a senior secured revolving credit facility (the "DBMG Revolving Facility") in an aggregate amount of \$135.0 million and (ii) a senior secured term loan facility in the amount of \$85.0 million. The DBMG Credit Agreement also contains an accordion feature to increase the allowable size of the DBMG Revolving Facility by an additional \$50.0 million. The DBMG Revolving Facility and term loan facility will mature on May 20, 2030. DBMG entered into the DBMG Credit Agreement to fully repay DBMG's existing debt obligations and provide additional working capital capacity. Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

As of December 31, 2025, DBMG had a total outstanding balance of \$15.0 million under its new revolving facility and the effective interest rate on DBMG's revolving loans was 6.80%. Interest on the new revolving facility is paid monthly, and the new revolving facility has an unused commitment fee of 0.50% per annum times the average daily unused availability under the line. As of December 31, 2025, the total outstanding balance of DBMG's term loan was \$72.6 million. Principal payments and interest on DBMG's term loan are paid monthly, and the effective interest rate was 7.4% as of December 31, 2025.

The indenture governing INNOVATE's 2027 Senior Secured Notes required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, such that by September 1, 2025 we needed to have a bona fide bid or term sheet related to a potential sale, a fully executed purchase or equity agreement by November 1, 2025, and an executed transaction with applied proceeds to the 2027 Senior Secured Notes Indenture no later than February 1, 2026, and in the event of the failure to achieve these milestones, the mandatory commencement of a sales process for DBMG. We did not achieve these milestones and accordingly we have commenced a sales process for DBMG.

The covenants contained in the DBMG Credit Agreement contain a Change in Control clause, which would constitute an Event of Default, both as defined in the DBMG Credit Agreement, which could accelerate the maturity of our Infrastructure segment's debt in the future upon certain events, including a sale of DBMG. Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Life Sciences

On August 4, 2025, Lancer Capital, a related party, and R2 Technologies entered into an Amended and Restated Senior Secured Promissory Note, which was previously amended multiple times, and which, among other things, extended the maturity of the note to the earlier of August 1, 2026, or the occurrence of (i) a Change of Control (as defined in the amended note) or (ii) the sale of all or substantially all of the assets of R2 Technologies. The amended note has an interest rate of 12% and removed certain exit and default fees. Accrued and unpaid interest is capitalized monthly into the principal balance.

The total new initial principal amount of the amended note on August 4, 2025 was \$43.5 million, which incorporated the \$20.0 million principal amount of the note as previously amended effective January 31, 2024 (which was comprised of a principal amount of \$17.4 million and unpaid accrued interest of \$2.6 million), accrued interest of \$7.0 million and \$16.5 million in accrued exit fees which had been incurred from January 31, 2024 through August 4, 2025. In addition, a new 5% extension fee of \$2.2 million was capitalized into the principal amount on August 4, 2025. The amended note had a principal balance of \$47.9 million as of December 31, 2025.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on the note and its various amendments.

During the year ended December 31, 2025, Pansend closed on several intercompany convertible 13.0% note instruments with R2 Technologies, and funded a total of \$7.5 million to R2 Technologies. The outstanding principal amounts of the notes, together with any interest then accrued and unpaid, is convertible at the option of Pansend into shares of a new Series E Convertible Preferred Stock ("Series E") or new Series F Convertible Preferred Stock ("Series F") in R2 Technologies, as applicable to each note, upon written notice to R2 Technologies and the notes have a maturity date, of the earlier of July 31, 2026, or a change in control of R2 Technologies, as defined in the notes. These notes and related intercompany interest are eliminated on consolidation. Subsequent to year end, in February and March 2026, an additional \$0.3 million in intercompany convertible 13.0% notes with R2 Technologies was funded. Refer to Note 16. Equity and Temporary Equity to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on R2 Technologies' convertible preferred stock and convertible notes.

Spectrum

On August 4, 2025, Spectrum entered into a Tenth Omnibus Amendment to Secured Notes and Limited Consent to MSD Secured Note and Intercreditor Agreement with the note holders of Spectrum's \$69.7 million 8.50% and 11.45% Notes (the "Spectrum Notes") to, among other things, extend the maturity of such notes from August 15, 2025 to September 30, 2026 (the "Spectrum Notes Extension"). Interest is payable upon maturity of the notes. As a result of Spectrum Notes Extension, additional exit fees of \$9.9 million were incurred. The total exit fees associated with the notes of \$25.8 million is payable on the earlier of maturity or repayment of the principal, and is reflected within Accrued liabilities in the Consolidated Balance Sheet as of December 31, 2025.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on our Spectrum debt.

Non-Operating Corporate

In August 2025, the Company closed on a series of indebtedness refinancing transactions that extended certain of INNOVATE's debt maturities. These refinancing transactions included: (i) the closings of an exchange offer and consent solicitation with respect to the Company's senior secured notes; (ii) privately negotiated exchanges of certain of the Company's convertible senior notes; (iii) amendment and extension of the Company's 2020 Revolving Credit Agreement to September 15, 2026; and (iv) amendment and extension of the Company's CGIC note to April 30, 2027, as well as the exchange of a portion of the Company's preferred stock held by CGIC and accrued preferred stock dividends in exchange for increasing the principal amount of that note (the "Preferred Stock Exchange")

The Company issued \$360.4 million aggregate principal amount of 10.50% 2027 Senior Secured Notes as consideration for the exchange of \$328.1 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes. The new principal amounts also include fees payable to the lenders and amounts in lieu of interest payments in respect of the 8.50% 2026 Senior Secured Notes that were due August 1, 2025. The 10.50% 2027 Senior Secured Notes mature on February 1, 2027 and accrue interest at a rate of 10.50% per year, payable semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest has been paid in kind. All subsequent interest payments are payable in cash.

The Company exchanged \$48.7 million of aggregate principal amount of the 2026 Convertible Notes for \$53.5 million aggregate principal amount of newly issued 9.5% Convertible Senior Secured Notes due 2027 (the "2027 Convertible Notes"). The new principal amounts also include fees payable to the lenders and amounts in lieu of interest payments in respect of the 2026 Convertible Notes that were due on August 1, 2025. The 2027 Convertible Notes mature on March 1, 2027 and interest on the 2027 Convertible Notes is paid semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest has been paid in kind. All subsequent interest payments are payable in cash.

The amended CGIC Note has a fixed interest rate of 16.0%. Interest on the amended CGIC Note will be paid on a monthly basis and in kind through August 31, 2026. All interest payments thereafter will be payable in cash, in arrears. The additional principal amount incurred under the Preferred Stock Exchange was \$9.6 million (reflective of the \$9.1 million accrued value of the Series A-4 Preferred Stock and \$0.5 million in accrued dividends on the Series A-3 and A-4 Preferred Stock). In addition, an extension fee and accrued interest of \$2.4 million on the CGIC Note through July 31, 2025, were capitalized to the new principal amount of the CGIC Note, for a total new aggregate outstanding principal amount of \$43.0 million. As of December 31, 2025, the total carrying amount related to the CGIC Note was \$46.8 million, inclusive of \$45.9 million of principal (including capitalized interest), and a net unamortized premium of \$0.9 million.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on our Non-Operating Corporate segment debt.

Equity Method Investments

MediBeacon

On January 17, 2025, MediBeacon received approval from the U.S. Food and Drug Administration ("FDA") for its Transdermal GFR Measurement System ("TGFR"). Pursuant to the terms of MediBeacon's convertible notes, upon the FDA approval, Pansend's convertible notes of \$11.4 million and the related accrued interest of \$1.5 million, together totaling \$12.9 million, were converted into Series 3 Preferred Stock. In addition, pursuant to its amended commercial partnership with Huadong and, as a result of FDA approval, a \$7.5 million milestone payment from Huadong Medicine Co. Ltd ("Huadong"), a publicly traded company on the Shenzhen Stock Exchange, to MediBeacon for MediBeacon preferred stock was received in the first quarter of 2025. As a result of these transactions, Pansend's ownership in MediBeacon decreased from 45.9% prior to the transactions to 44.7% subsequent to the transactions. On a fully diluted basis, Pansend's ownership in MediBeacon decreased from 40.1% prior to the transactions to 39.7% subsequent to the transactions. Refer to Note 6. Investments, which is incorporated herein by reference, for additional information.

In February 2025, China's National Medical Products Administration ("NMPA") approved MediBeacon's TGFR Monitor and TGFR Sensor. Full regulatory approval from China's NMPA occurred in October 2025, following its approval for the categorization of the Lumitrace (relmapirazin) injection as a drug in China.

On December 16, 2025, MediBeacon received approval from the FDA for its next generation MediBeacon TGFR System including the latest TGFR Reusable Sensor. The latest TGFR Reusable Sensor has been designed for patient comfort, ease of application, and reusability. It also lowers the cost compared to the single use TGFR Sensor previously approved by the FDA.

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 year ended December 31, 2025, as compared to the year ended December 31, 2024.

Results of Operations

The following table summarizes our results of operations (in millions):

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Revenue			
Infrastructure	\$ 1,210.3	\$ 1,071.6	\$ 138.7
Life Sciences	12.5	9.8	2.7
Spectrum	23.2	25.7	(2.5)
Total revenue	\$ 1,246.0	\$ 1,107.1	\$ 138.9
Income (loss) from operations			
Infrastructure	\$ 55.4	\$ 65.7	\$ (10.3)
Life Sciences	(10.9)	(14.1)	3.2
Spectrum	(0.1)	1.4	(1.5)
Other	(0.1)	—	(0.1)
Non-Operating Corporate	(15.6)	(13.0)	(2.6)
Total income from operations	\$ 28.7	\$ 40.0	\$ (11.3)
Interest expense	(89.0)	(74.5)	(14.5)
Loss from equity investees	(5.9)	(2.3)	(3.6)
Other income, net	4.7	3.4	1.3
Loss from operations before income taxes	\$ (61.5)	\$ (33.4)	\$ (28.1)
Income tax expense	(2.5)	(6.3)	3.8
Net loss	\$ (64.0)	\$ (39.7)	\$ (24.3)
Net loss attributable to non-controlling interests and redeemable non-controlling interests	3.4	5.1	(1.7)
Net loss attributable to INNOVATE Corp.	\$ (60.6)	\$ (34.6)	\$ (26.0)
Less: Preferred stock dividends	3.4	1.2	2.2
Net loss attributable to common stockholders and participating preferred stockholders	\$ (64.0)	\$ (35.8)	\$ (28.2)

Revenue: Revenue for the year ended December 31, 2025, increased \$138.9 million to \$1,246.0 million from \$1,107.1 million for the year ended December 31, 2024. The increase was primarily driven by our Infrastructure segment, and to a lesser extent our Life Sciences segment, which was partially offset by a decrease at our Spectrum segment. The increase at our Infrastructure segment was primarily driven by the timing and size of projects at DBMG's commercial structural steel fabrication and erection business, which had increased activity subsequent to the comparable year on certain large commercial construction projects, which was partially offset by timing and size of projects at the industrial maintenance and repair business, Banker Steel and the construction modeling and detailing business, including the effect of changes in estimated costs to complete those projects recognized in the ordinary course of business in the comparable year, which also had increased activity in the prior year on certain large commercial construction projects that have since been completed. The increase at our Life Sciences segment was attributable to R2 Technologies, primarily driven by increases in Glacial Spa and Glacial fx unit sales outside North America, as well as an increase in consumable sales in North America, which was partially offset by a decrease in Glacial fx unit sales in North America. The decrease at our Spectrum segment was primarily driven by the termination of certain customers in the current year and a downturn in the direct response advertising market, which was partially offset by the launch of new networks subsequent to the comparable year.

Income from operations: Income from operations for the year ended December 31, 2025, decreased \$11.3 million to \$28.7 million from \$40.0 million for the year ended December 31, 2024. The decrease was primarily due to a net decrease in gross profit of \$9.1 million, and a net decrease in other operating income of \$9.4 million, partially offset by a net decrease in SG&A expenses of \$7.1 million. The net decrease in gross profit, despite an increase in revenue, was primarily driven by our Infrastructure segment due to timing and size of projects in the comparable year that have since been completed, including the effect of changes in estimated costs to complete those projects recognized in the ordinary course of business in the comparable year and our Spectrum segment primarily due to the termination of certain customers in the current year and a downturn in the direct response advertising market. The decrease in other operating income was primarily driven by our Infrastructure segment as a result of an unrepeated gain on lease modification and unrepeated gains on the sale of various properties in the comparable year, as well as various losses on the sale of properties and a loss on lease modification in the current year, which was partially offset by our Spectrum segment primarily due to a favorable legal settlement in the current year, and unrepeated lease termination settlement costs incurred in the comparable year. The decrease in SG&A was primarily driven by our Infrastructure segment primarily due to a decrease in compensation-related expenses, and, to a lesser extent, decreases in consulting fees and travel expenses, and a decrease at our Life Sciences segment due to a reduction in compensation-related expenses at Pansend and R2 Technologies. These decreases in SG&A were partially offset by an increase in SG&A at our Non-Operating Corporate segment primarily due to the debt refinancing costs and expenses in the current year related to potential dispositions, which were partially offset by decreases in other legal fees and insurance expense as well as a net decrease in employee-related expenses.

Interest expense: Interest expense for the year ended December 31, 2025, increased \$14.5 million to \$89.0 million from \$74.5 million for the year ended December 31, 2024. The increase in interest expense was primarily driven by our Non-Operating Corporate and Life Sciences segments, and to a lesser extent by our Spectrum segment. The increase at our Non-Operating Corporate segment was due to the indebtedness refinancing transactions completed during the current year, which resulted in increased principal balances due to the capitalization of fees and interest, and certain increases in interest rates, leading to increased interest expense including amortization of fees. Interest at our Life Sciences segment increased due to a higher outstanding principal amount resulting from the capitalization of unpaid interest and exit fees into the principal amount subsequent to the comparable year. The increase at our Spectrum segment was due to the refinancing transactions and increased fees subsequent to the comparable year. These increases in interest expense were slightly offset by a decrease at our Infrastructure segment due to a net decrease in outstanding principal balances. Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on the indebtedness refinancing transactions.

Loss from equity investees: Loss from equity investees for the year ended December 31, 2025, increased \$3.6 million to \$5.9 million from \$2.3 million for the year ended December 31, 2024. The increase in loss was due to an increase in losses recognized from MediBeacon. During the year ended December 31, 2025, as a result of the first quarter equity transactions that occurred upon FDA approval of MediBeacon's TGFR, Pansend's basis in MediBeacon increased by \$5.9 million, consisting of a \$4.4 million step-up gain and \$1.5 million from the conversion of accrued interest on Pansend's convertible notes with MediBeacon, resulting in Pansend recognizing \$5.9 million of equity method losses that were previously unrecognized. During the year ended December 31, 2024, Pansend's basis in MediBeacon had increased by \$2.3 million due to the issuance of additional convertible note investments in the comparable year, resulting in Pansend recognizing \$2.3 million of equity method losses that were previously unrecognized. As of both December 31, 2025 and 2024, Pansend's net carrying amount of its investment in MediBeacon was zero, and Pansend had unrecognized losses from this investment. Refer to Note 6. Investments to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on our equity investments.

Other income, net: Other income, net for the year ended December 31, 2025, increased \$1.3 million to \$4.7 million from \$3.4 million for the year ended December 31, 2024. The increase was primarily driven by the \$4.4 million step-up gain following MediBeacon's FDA approval in January 2025, and an increase in fair value gains on marketable securities at our Non-Operating Corporate segment. These increases were partially offset by an increase in foreign currency translation losses from our Infrastructure segment, a decrease in interest income at our Life Sciences and Non-Operating Corporate segments, and a legal settlement expense at our Non-Operating Corporate segment in the current year. Net loss on repurchase or extinguishment of debt remained consistent as compared to the prior year; however, the net loss was comprised of a loss on extinguishment of debt of \$0.3 million related to a refinancing at our Infrastructure segment during the year ended December 31, 2025, as compared to a \$2.2 million loss on debt extinguishment at R2 Technologies in the comparable year, which was largely offset by a \$1.9 million gain on debt repurchase at our Non-Operating Corporate segment related to the partial repurchase of the 2026 Convertible Notes in the comparable year. Refer to Note 21. Supplementary Financial Information to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on other income, net.

Income tax expense: Income tax expense for the year ended December 31, 2025, decreased \$3.8 million to \$2.5 million from \$6.3 million for the year ended December 31, 2024. The decrease was primarily driven by the decrease in pre-tax results, as well as the limitations on the utilization of net operating losses ("NOL") by INNOVATE's U.S. consolidated group in the comparable year. These limitations arose from Internal Revenue Code Section 382 and the Tax Cuts and Jobs Act's 80 percent limitation on NOLs incurred after 2017.

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 started 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.

On July 4, 2025, the One Big Beautiful Bill Act "OBBBA") was enacted into law, introducing various changes to U.S. federal income tax provisions, including modifications to bonus depreciation, interest expense limitations, and the treatment of research and development expenditures. Under ASC 740, the effects of newly enacted tax legislation must be recognized in the period that includes the enactment date. Management has evaluated the provisions of the OBBBA and their current and potential impact on the financial statements. Based on this evaluation, the Company does not expect the OBBBA to have a material effect on the current or deferred income tax balances, effective tax rate, or overall financial position. The effects of the legislation have been reflected in the Company's income tax provision for the year ended December 31, 2025. The Company will continue to monitor developments and assess the impact of the OBBBA as additional guidance becomes available and as facts and circumstances evolve.

Segment Results of Operations

In the Company's Consolidated Financial Statements, other operating (income) loss includes: (i) (gain) loss on sale or disposal of assets; (ii) lease termination costs and (gains) losses on lease modifications; (iii) asset impairment expense; and (iv) accretion of asset retirement obligations; as applicable. Each table summarizes the results of operations of our operating segments (in millions).

Infrastructure Segment

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Revenue	\$ 1,210.3	\$ 1,071.6	\$ 138.7
Cost of revenue	1,026.2	880.4	145.8
Selling, general and administrative	115.2	123.1	(7.9)
Depreciation and amortization	12.1	12.0	0.1
Other operating loss (income)	1.4	(9.6)	11.0
Income from operations	\$ 55.4	\$ 65.7	\$ (10.3)

Revenue: Revenue for the year ended December 31, 2025, increased \$138.7 million to \$1,210.3 million from \$1,071.6 million for the year ended December 31, 2024. The increase was primarily driven by the timing and size of projects at DBMG's commercial structural steel fabrication and erection business, which had increased activity subsequent to the comparable year on certain large commercial construction projects. The increase was partially offset by the timing and size of projects at the industrial maintenance and repair business, Banker Steel, and the construction modeling and detailing business, including the effect of changes in estimated costs to complete those projects recognized in the ordinary course of business in the comparable year, which also had increased activity in the prior year on certain large commercial construction projects that have since been completed.

Cost of revenue: Cost of revenue for the year ended December 31, 2025, increased \$145.8 million to \$1,026.2 million from \$880.4 million for the year ended December 31, 2024. The increase was primarily driven by the increase in revenues at DBMG's commercial structural steel fabrication and erection business due to the increased activity subsequent to the comparable year on certain large commercial construction projects, which was partially offset by decreases as a result of the decrease in revenues at the industrial maintenance and repair business and Banker Steel from the timing of project activity on certain large commercial construction projects and decreases in costs as they were completed in the current year.

Selling, general and administrative: Selling, general and administrative expense for the year ended December 31, 2025, decreased \$7.9 million to \$115.2 million from \$123.1 million for the year ended December 31, 2024. The decrease was primarily driven by a decrease in compensation-related expenses, and, to a lesser extent, decreases in consulting fees and travel expenses.

Other operating loss (income): Other operating loss (income) for the year ended December 31, 2025, decreased by \$11.0 million to a loss of \$1.4 million from income of \$9.6 million for the year ended December 31, 2024. The decrease was primarily driven by an unrepeatable gain on lease modification and unrepeatable gains on the sale of various properties in the comparable year, as well as various losses on the sale of properties and a loss on lease modification in the current year.

Life Sciences Segment

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Revenue	\$ 12.5	\$ 9.8	\$ 2.7
Cost of revenue	8.4	6.4	2.0
Selling, general and administrative	14.6	17.1	(2.5)
Depreciation and amortization	0.4	0.4	—
Loss from operations	<u>\$ (10.9)</u>	<u>\$ (14.1)</u>	<u>\$ 3.2</u>

Revenue: Revenue for the year ended December 31, 2025, increased \$2.7 million to \$12.5 million from \$9.8 million for the year ended December 31, 2024. The increase in revenue was attributable to R2 Technologies, primarily driven by increases in Glacial Spa and Glacial fx unit sales outside North America, as well as an increase in consumable sales in North America. The increases were partially offset by a decrease in Glacial fx unit sales in North America.

Cost of revenue: Cost of revenue for the year ended December 31, 2025, increased \$2.0 million to \$8.4 million from \$6.4 million for the year ended December 31, 2024. The increase in cost of revenue was attributable to R2 Technologies, primarily driven by the increase in revenue from the additional unit system and consumables sales noted above and, to a lesser extent, the related increases in warranty expenses, freight costs, and royalty expenses.

Selling, general and administrative: Selling, general and administrative expense for the year ended December 31, 2025, decreased \$2.5 million to \$14.6 million from \$17.1 million for the year ended December 31, 2024. The decrease was primarily driven by a reduction in compensation-related expenses at Pansend and R2 Technologies.

Spectrum Segment

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Revenue	\$ 23.2	\$ 25.7	\$ (2.5)
Cost of revenue	11.7	11.5	0.2
Selling, general and administrative	7.6	7.3	0.3
Depreciation and amortization	5.0	5.1	(0.1)
Other operating (income) loss	(1.0)	0.4	(1.4)
(Loss) income from operations	<u>\$ (0.1)</u>	<u>\$ 1.4</u>	<u>\$ (1.5)</u>

Revenue: Revenue for the year ended December 31, 2025, decreased \$2.5 million to \$23.2 million from \$25.7 million for the year ended December 31, 2024. The decrease was primarily driven by the termination of certain customers in the current year and a downturn in the direct response advertising market, which was partially offset by the launch of new networks subsequent to the comparable year.

Cost of revenue: Cost of revenue for the year ended December 31, 2025, increased \$0.2 million to \$11.7 million from \$11.5 million for the year ended December 31, 2024. The majority of our Spectrum segment's costs are relatively fixed in nature and do not fluctuate significantly with changes in revenue.

Other operating (income) loss: Other operating (income) loss for the year ended December 31, 2025, increased \$1.4 million to income of \$1.0 million from a loss of 0.4 million for year ended December 31, 2024. The increase in income was primarily driven by a favorable legal settlement in the current year and unrepeated lease termination settlement costs incurred in the comparable year.

Non-Operating Corporate

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Selling, general and administrative	\$ 15.6	\$ 12.7	\$ 2.9
Depreciation and amortization	—	0.1	(0.1)
Other operating loss	—	0.2	(0.2)
Loss from operations	\$ (15.6)	\$ (13.0)	\$ (2.6)

Selling, general and administrative: Selling, general and administrative expenses for the year ended December 31, 2025 increased 2.9 million to \$15.6 million from \$12.7 million for the year ended December 31, 2024. The increase was primarily driven by \$4.3 million of debt refinancing costs and \$0.4 million of expenses in the current year related to potential dispositions, which were partially offset by a decrease in other legal fees due to legal matters settled in or subsequent to the comparable year, as well as a decrease in insurance expense and a net decrease in employee-related expenses.

Loss from Equity Investees

	Year Ended December 31,		
	2025	2024	(Increase) / Decrease
Life Sciences	\$ (5.9)	\$ (2.3)	\$ (3.6)
Loss from equity investees	\$ (5.9)	\$ (2.3)	\$ (3.6)

Life Sciences: Loss from equity investees within our Life Sciences segment for the year ended December 31, 2025, increased \$3.6 million to \$5.9 million from \$2.3 million for the year ended December 31, 2024. The increase in loss was due to an increase in losses recognized from MediBeacon. During the year ended December 31, 2025, as a result of the first quarter equity transactions that occurred upon FDA approval of MediBeacon's TGFR, Pansend's basis in MediBeacon increased by \$5.9 million, consisting of a \$4.4 million step-up gain and \$1.5 million from the conversion of accrued interest on Pansend's convertible notes with MediBeacon, resulting in Pansend recognizing \$5.9 million of equity method losses that were previously unrecognized. During the year ended December 31, 2024, Pansend's basis in MediBeacon had increased by \$2.3 million due to the issuance of additional convertible note investments in the comparable year, resulting in Pansend recognizing \$2.3 million of equity method losses that were previously unrecognized. As of both December 31, 2025 and 2024, Pansend's net carrying amount of its investment in MediBeacon was zero, and Pansend had unrecognized losses from this investment.

Refer to Note 6. Investments to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on our equity 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-U.S. 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, (gains) losses on lease modifications, asset impairment expense; interest expense; other (income) expense, net; income tax expense (benefit); non-controlling interest; share-based compensation expense; realignment and exit costs; debt refinancing costs; and acquisition and disposition costs.

Adjusted EBITDA by segment is summarized as follows:

(in millions):

	Year Ended December 31,		
	2025	2024	Increase / (Decrease)
Infrastructure	\$ 87.5	\$ 89.1	\$ (1.6)
Life Sciences	(16.1)	(14.5)	(1.6)
Spectrum	4.4	7.1	(2.7)
Non-Operating Corporate	(8.5)	(10.4)	1.9
Other and Eliminations	(0.1)	—	(0.1)
Adjusted EBITDA	<u>\$ 67.2</u>	<u>\$ 71.3</u>	<u>\$ (4.1)</u>

The tables below provide reconciliations of net income (loss) attributable to INNOVATE Corp. to Adjusted EBITDA for the years ended December 31, 2025 and 2024:

(in millions)

	Year Ended December 31, 2025					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Net income (loss) attributable to INNOVATE Corp.	\$ 29.5	\$ (22.2)	\$ (23.5)	\$ (44.3)	\$ (0.1)	\$ (60.6)
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>						
Depreciation and amortization	12.1	0.4	5.0	—	—	17.5
Depreciation and amortization (included in cost of revenue)	12.9	—	—	—	—	12.9
Other operating loss (income)	1.4	—	(1.0)	—	—	0.4
Interest expense	8.7	14.8	15.4	50.1	—	89.0
Other (income) expense, net	(1.9)	(4.6)	9.3	(7.5)	—	(4.7)
Income tax expense (benefit)	16.2	—	0.2	(13.9)	—	2.5
Non-controlling interest	2.8	(4.8)	(1.4)	—	—	(3.4)
Share-based compensation expense	—	0.3	—	2.4	—	2.7
Realignment and exit costs	4.9	—	0.2	—	—	5.1
Debt refinancing costs	0.1	—	0.2	4.3	—	4.6
Acquisition and disposition costs	0.8	—	—	0.4	—	1.2
Adjusted EBITDA	<u>\$ 87.5</u>	<u>\$ (16.1)</u>	<u>\$ 4.4</u>	<u>\$ (8.5)</u>	<u>\$ (0.1)</u>	<u>\$ 67.2</u>

(in millions)

	Year Ended December 31, 2024					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Net income (loss) attributable to INNOVATE Corp.	\$ 40.3	\$ (19.7)	\$ (20.0)	\$ (35.3)	\$ 0.1	\$ (34.6)
<u>Adjustments to reconcile net income (loss) to Adjusted EBITDA:</u>						
Depreciation and amortization	12.0	0.4	5.1	0.1	—	17.6
Depreciation and amortization (included in cost of revenue)	15.2	0.1	—	—	—	15.3
Other operating (income) loss	(9.6)	—	0.4	0.2	—	(9.0)
Interest expense	10.3	9.8	14.3	40.1	—	74.5
Other (income) expense, net	(3.9)	0.8	8.5	(8.7)	(0.1)	(3.4)
Income tax expense (benefit)	15.2	—	0.2	(9.1)	—	6.3
Non-controlling interest	3.8	(7.3)	(1.6)	—	—	(5.1)
Share-based compensation expense	—	1.2	—	2.2	—	3.4
Realignment and exit costs	5.2	—	—	—	—	5.2
Acquisition and disposition costs	0.6	0.2	0.2	0.1	—	1.1
Adjusted EBITDA	<u>\$ 89.1</u>	<u>\$ (14.5)</u>	<u>\$ 7.1</u>	<u>\$ (10.4)</u>	<u>\$ —</u>	<u>\$ 71.3</u>

Infrastructure: Net income from our Infrastructure segment for the year ended December 31, 2025, decreased \$10.8 million to \$29.5 million from \$40.3 million for the year ended December 31, 2024. Adjusted EBITDA from our Infrastructure segment for the year ended December 31, 2025, decreased \$1.6 million to \$87.5 million from \$89.1 million for the year ended December 31, 2024. The decrease in Adjusted EBITDA was primarily driven by a decrease in gross profit, despite the increase in revenue, at DBMG's commercial structural steel fabrication and erection business resulting from favorable close-outs of projects in the comparable year. The decrease was also driven by a decrease in revenue and gross profit at Banker Steel, as well as the industrial maintenance and repair business due to timing of certain large construction projects in the comparable year that have since been completed. These decreases were partially offset by a decrease in recurring SG&A expenses, primarily driven by a decrease in compensation-related expenses, and to a lesser extent, decreases in consulting fees and travel expenses.

Life Sciences: Net loss from our Life Sciences segment for the year ended December 31, 2025, increased \$2.5 million to \$22.2 million from \$19.7 million for the year ended December 31, 2024. Adjusted EBITDA loss from our Life Sciences segment for the year ended December 31, 2025, increased \$1.6 million to \$16.1 million from \$14.5 million for the year ended December 31, 2024. The increase in Adjusted EBITDA loss was primarily due to an increase in equity method losses recognized from MediBeacon, as discussed in the *Loss from Equity Investees* section above. The increase in Adjusted EBITDA loss was partially offset by a decrease in SG&A expenses primarily driven by a reduction in compensation-related expenses at Pansend and R2 Technologies and an increase in gross profit at R2 Technologies, driven by increased revenue (as discussed in the *Revenue* section above).

Spectrum: Net loss from our Spectrum segment for the year ended December 31, 2025, increased \$3.5 million to \$23.5 million from \$20.0 million for the year ended December 31, 2024. Adjusted EBITDA from our Spectrum segment for the year ended December 31, 2025, decreased \$2.7 million to \$4.4 million from \$7.1 million for the year ended December 31, 2024. The decrease in Adjusted EBITDA was primarily driven by the net decrease in revenue as a result of the termination of certain customers in the current year and a downturn in the direct response advertising market, which was partially offset by the launch of new networks subsequent to the comparable year.

Non-Operating Corporate: Net loss from our Non-Operating Corporate segment for the year ended December 31, 2025, increased \$9.0 million to \$44.3 million from \$35.3 million for the year ended December 31, 2024. Adjusted EBITDA loss from our Non-Operating Corporate segment for the year ended December 31, 2025, decreased \$1.9 million to \$8.5 million from \$10.4 million for the year ended December 31, 2024. The decrease in Adjusted EBITDA loss was primarily driven by a decrease in non-refinancing related legal fees due to legal matters settled in or subsequent to the comparable year, as well as decreases in employee-related expenses and insurance expense.

Backlog

Backlog is our estimate of the U.S. dollar amount of future revenues we expect to realize as a result of performing work on projects in 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 December 31, 2025, DBMG's backlog was \$1,723.9 million, consisting of \$1,713.1 million under contracts or purchase orders and \$10.8 million under letters of intent or notices to proceed. Approximately \$1,137.0 million, representing 66.0% of DBMG's backlog as of December 31, 2025, 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 has included an additional \$12.5 million in its backlog that is not included in the remaining unsatisfied performance obligations disclosed in Note 3. Revenue and Contracts in 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

2025 Debt Refinancing

In August 2025, the Company closed on a series of indebtedness refinancing transactions that extended certain of the Company's debt maturities. The refinancing transactions included: (i) the closings of an exchange offer and consent solicitation with respect to the Company's senior secured notes; (ii) privately negotiated exchanges of certain of the Company's convertible senior notes; (iii) amendment and extension of the Company's 2020 Revolving Credit Agreement; (iv) amendment and extension of the Company's CGIC note, as well as the exchange of a portion of the Company's preferred stock held by CGIC and accrued preferred stock dividends in exchange for increasing the principal amount of that note; (v) amendment and extension of the Spectrum debt; and (vi) amendment and extension of the R2 Technologies debt. In addition, on May 20, 2025, DBMG entered into an Amended and Restated Credit Agreement. Total third-party fees expensed related to the refinancing transactions were \$4.6 million for the year ended December 31, 2025, respectively, and total third-party fees capitalized were \$0.5 million for the year ended December 31, 2025, respectively. Refer to "Indebtedness" below and to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information.

Indebtedness

Non-Operating Corporate

10.50% Senior Secured Notes due 2027

In August 2025, we closed on an exchange offer and consent solicitation to eligible holders of our 8.50% senior secured notes due 2026 ("8.50% 2026 Senior Secured Notes") to exchange such notes for newly issued 10.50% senior secured notes due 2027 (the "10.50% 2027 Senior Secured Notes"). The Company, the guarantors party thereto from time to time and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the "10.50% 2027 Senior Secured Notes Trustee") and collateral trustee, entered into an indenture (the "10.50% 2027 Senior Secured Notes Indenture") governing the 10.50% 2027 Senior Secured Notes and we issued \$360.4 million aggregate principal amount of 10.50% senior secured notes due 2027 (the "10.50% 2027 Senior Secured Notes") as consideration for the exchange of \$328.1 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes. The new principal amount includes fees payable to the lenders and \$52.50 principal amount of 10.50% 2027 Senior Secured Notes per \$1,000 principal amount of 8.50% 2026 Senior Secured Notes exchanged, paid to exchanging holders in lieu of the interest payment in respect of the 8.50% 2026 Senior Secured Notes that was due on August 1, 2025.

The 10.50% 2027 Senior Secured Notes mature on February 1, 2027 and accrue interest at a rate of 10.50% per year, payable semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest has been paid in kind. All subsequent interest payments are payable in cash.

As of December 31, 2025, the total carrying amount related to the note was \$345.5 million, inclusive of \$360.4 million aggregate principal outstanding, partially offset by a \$13.9 million total unamortized discount and \$1.0 million of total unamortized deferred financing fees. The effective interest rate on the 10.50% 2027 Senior Secured Notes was 14.4% as of December 31, 2025. Aggregate interest expense for the new 10.50% 2027 Senior Secured Notes, including the contractual interest coupon and amortization of fees was \$20.6 million for the year ended December 31, 2025.

Our obligations under the 10.50% 2027 Senior Secured Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the same guarantors that guarantee the 8.50% 2026 Senior Secured Notes (the "Subsidiary Guarantors"). The 10.50% 2027 Senior Secured Notes and the related guarantees are senior secured obligations of the Company and the Subsidiary Guarantors.

Asset Sale Offer. If we complete certain assets sales, we may be required in certain circumstances to make an offer to purchase the 10.50% 2027 Senior Secured Notes with the net cash proceeds from such an asset sale at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Certain Covenants. The 10.50% 2027 Senior Secured Notes Indenture contains covenants limiting, among other things, our ability, and, in certain cases, our subsidiaries' ability, to incur additional indebtedness; create liens; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. Additionally, the 10.50% 2027 Senior Secured Notes Indenture required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, to be applied to the 10.50% 2027 Senior Secured Notes, such that by September 1, 2025, we needed to have a bona fide bid or term sheet related to a potential sale. The September 1, 2025 milestone was not reached, and in accordance with the indenture, we have thus been required to commence a sales process for DBMG. The sales process for DBMG has separate milestone requirements, which we have either met or extended as of December 31, 2025. In addition, subsequent to year end, the February 1, 2026 milestone for a final bid or term sheet was extended to March 1, 2026 and was met on this revised date. The March 1, 2026 milestone for a fully executed purchase agreement, has been extended to April 1, 2026. As of the date of this Annual Report on Form 10-K, the Company is in compliance with the milestone covenants.

Any failure to comply with the restrictions or covenants in the indentures governing INNOVATE's 2027 Senior Secured Notes and 2027 Convertible Notes, or any other agreement governing our existing indebtedness or indebtedness we may incur in the future, may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which acceleration may trigger cross-acceleration or cross-default provisions in other debt.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information.

8.50% Senior Secured Notes due 2026

The original \$330.0 million aggregate principal amount of 8.50% senior secured notes due February 1, 2026 (the "8.50% 2026 Senior Secured Notes") were issued in 2021 at 100% of par. In August 2025, we exchanged \$328.1 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes for new 10.50% 2027 Senior Secured Notes, as discussed above. As of December 31, 2025, we had \$1.9 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes remaining with an effective interest rate of 9.3%. Subsequent to year end, on February 2, 2026, the Company repaid the remaining principal balance and all accrued interest.

Interest was payable semi-annually in arrears on February 1st and August 1st of each year. Aggregate interest expense, including the contractual interest coupon and amortization of the deferred financing fees was \$17.9 million for the year ended December 31, 2025.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

2027 Convertible Notes

On August 4, 2025, we settled the exchanges (collectively, the “Convertible Notes Exchanges”) under our privately negotiated exchange agreements (collectively, the “Exchange Agreements”) with certain holders of our 7.5% Convertible Senior Notes due 2026 (“the 2026 Convertible Notes”). Pursuant to the Exchange Agreements, we exchanged \$48.7 million of the then outstanding aggregate principal amount of the 2026 Convertible Notes for \$53.5 million aggregate principal amount of newly issued 9.5% Convertible Senior Secured Notes due 2027 (the “2027 Convertible Notes”), which is the total outstanding as of December 31, 2025. The 2027 Convertible Notes mature on March 1, 2027 unless earlier converted, redeemed or purchased. The new principal amount includes fees payable to the lenders and \$47.50 principal amount of 2027 Convertible Notes per \$1,000 principal amount of 2026 Convertible Notes exchanged, paid to exchanging holders in lieu of the interest payment in respect of the 2026 Convertible Notes that was due on August 1, 2025.

As of December 31, 2025, the total carrying amount related to the notes was \$52.5 million, inclusive of \$53.5 million aggregate principal outstanding, partially offset by a remaining unamortized net discount of \$0.8 million and unamortized deferred financing fees of \$0.2 million.

The 2027 Convertible Notes accrue interest at a rate of 9.5% per year. The effective interest rate on the 2027 Convertible Notes is 11.1%. Interest on the 2027 Convertible Notes is paid semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest has been paid in kind. All subsequent interest payments are payable in cash. Aggregate interest expense, including the contractual interest coupon and amortization of the deferred financing fees and net discount was \$2.4 million for the year ended December 31, 2025.

The Company, the guarantors party thereto from time to time and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the “2027 Convertible Notes Trustee”) and collateral trustee, entered into an indenture (the “2027 Convertible Notes Indenture”), dated as of August 4, 2025, governing the 2027 Convertible Notes.

Certain Covenants. The 2027 Convertible Notes Indenture contains covenants limiting, among other things, our ability, and, in certain cases, our subsidiaries' ability, to incur additional indebtedness; create liens; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain 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.

Any failure to comply with the restrictions or covenants in the indentures governing INNOVATE’s 2027 Senior Secured Notes and 2027 Convertible Notes, or any other agreement governing our existing indebtedness or indebtedness we may incur in the future, may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which acceleration may trigger cross-acceleration or cross-default provisions in other debt.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information.

2026 Convertible Notes

The original \$51.8 million aggregate principal amount of 7.50% convertible notes (the “2026 Convertible Notes”) were issued under an indenture dated February 1, 2021, between the Company and U.S. Bank, as trustee. During July 2024, INNOVATE repurchased \$2.9 million principal amount of its 2026 Convertible Notes at a market discount for \$1.1 million, which was inclusive of accrued interest of \$0.1 million. As discussed above, on August 4, 2025, pursuant to the Exchange Agreements, we exchanged \$48.7 million aggregate principal amount of the 2026 Convertible Notes for new 2027 Convertible Notes. Subsequent to the exchanges and, as of December 31, 2025, we had \$0.2 million aggregate principal remaining of the 2026 Convertible Notes.

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 in arrears on February 1st and August 1st of each year. As of December 31, 2025, the effective interest rate on the 2026 Convertible Notes was 3.0%. Aggregate interest expense recognized relating to both the contractual interest coupon and amortization of discount net of premium and deferred financing costs was \$0.9 million for the year ended December 31, 2025.

On August 4, 2025, the Company and U.S. Bank Trust Company, National Association, as trustee (the “2026 Convertible Notes Trustee”) entered into a first supplemental indenture (the “2026 Convertible Notes Supplemental Indenture”) to the indenture, dated as of February 1, 2021, by and among the Company, the guarantors party thereto from time to time and the 2026 Convertible Notes Trustee, governing the 2026 Convertible Notes (the “2026 Convertible Notes Indenture”). The 2026 Convertible Notes Supplemental Indenture amended the 2026 Convertible Notes Indenture and the 2026 Convertible Notes to effectuate certain proposed amendments with respect to the 2026 Convertible Notes pursuant to the solicitation of consents, which amendments included eliminating substantially all of the restrictive covenants, eliminating certain events of default, modifying covenants regarding mergers and consolidations and modifying or eliminating certain other provisions, contained in the 2026 Convertible Notes Indenture and the 2026 Convertible Notes.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

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

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 December 31, 2025. Interest on loans under the Revolving Line of Credit accrues at SOFR plus 5.75% and is payable quarterly. On August 4, 2025, the Company and MSD entered into an Eighth Amendment to Credit Agreement, which among other things, extended the maturity of the 2020 Revolving Credit Agreement to September 15, 2026 and added a new \$0.4 million extension fee that is payable on the earlier of the maturity date or the date of prepayment of the debt.

The Revolving Line of Credit has an interest rate margin applicable to loans borrowed under the Revolving Line of Credit of 5.75%, and the benchmark rates for the interest are SOFR-based rates. As of December 31, 2025, the effective interest rate on the Revolving Line of Credit, as amended, was 10.0%. Interest is paid quarterly in arrears. 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 Line of Credit with MSD, and also includes a requirement for prepayment using the net cash proceeds received from certain asset sales. 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 Company's 10.5% Senior Secured Notes.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

CGIC Promissory Note

On August 4, 2025, we entered into a Subordinated Secured Promissory Note with CGIC to, among other things, extend the maturity of its existing subordinated unsecured promissory note with CGIC (the "CGIC Note") from February 28, 2026 to April 30, 2027, and secure the amended CGIC Note by a third priority lien on the same collateral securing the 10.50% 2027 Senior Secured Notes and the 2027 Convertible Notes. The amended CGIC Note has an interest rate of 16.0%, and an effective interest rate of 14.6% as of December 31, 2025. Interest on the amended CGIC Note will be paid on a monthly basis and in kind through August 31, 2026. All interest payments thereafter will be payable in cash, in arrears.

As part of the agreement with CGIC, the accrued value of 8,063 shares of Series A-4 Preferred Stock of the Company held by CGIC, and unpaid accrued cash dividends for the A-3 and A-4 Preferred Stock were exchanged for an additional principal amount of the CGIC Note, on a dollar-for-dollar basis (the "Preferred Stock Exchange"). The additional principal amount incurred under the Preferred Stock Exchange was \$9.6 million (reflective of the \$9.1 million accrued value of the Series A-4 Preferred Stock and \$0.5 million in accrued dividends on the Series A-3 and A-4 Preferred Stock). In addition, an extension fee and accrued interest of \$2.4 million on the CGIC Note through July 31, 2025, were capitalized to the new principal amount of the CGIC Note, for a total new aggregate outstanding principal amount of \$43.0 million. As of December 31, 2025 the total carrying amount related to the note was \$46.8 million, inclusive of \$45.9 million of principal (including capitalized interest), and a net unamortized premium of \$0.9 million. For the year ended December 31, 2025, interest expense recognized relating to the CGIC Note, including the contractual interest coupon and amortization of the deferred financing fees and discounts, was \$5.9 million.

Mandatory Prepayments. After the indefeasible repayment and satisfaction in full in cash of all obligations under the 10.50% 2027 Senior Secured Notes, the 10.50% 2027 Senior Secured Notes Indenture, the 2027 Convertible Notes, the 2027 Convertible Notes Indenture and all other Senior Debt (or, in each case, under any refinancing indebtedness in respect thereof), the Company must prepay the CGIC Note (together with all accrued and unpaid interest and all other amounts payable under the CGIC Note) upon the occurrence of an Asset Sale (as defined in the agreement), in an amount equal to the Net Cash Proceeds (as defined in the agreement) from such Asset Sale, with such prepayment due no later than two (2) Business Days after the receipt of such Net Cash Proceeds by the Company (or its subsidiary, if applicable) from such Asset Sale.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

Infrastructure

As of December 31, 2025, our Infrastructure segment has an aggregate amount of principal outstanding debt, including obligations under finance leases, of \$87.7 million.

On May 20, 2025, DBMG entered into an Amended and Restated Credit agreement (the "DBMG Credit Agreement"), with the lenders which are party thereto from time to time (each a "Lender" and collectively the "Lenders") and UMB BANK, N.A. ("UMB"). The DBMG Credit Agreement provides DBMG with senior secured debt financing in an amount up to \$220.0 million in the aggregate, consisting of (i) a senior secured revolving credit facility (the "DBMG Revolving Facility") in an aggregate amount of \$135.0 million and (ii) a senior secured term loan facility in the amount of \$85.0 million. The DBMG Credit Agreement also contains an accordion feature to increase the allowable size of the DBMG Revolving Facility by an additional \$50.0 million. The DBMG Revolving Facility and the term loan facility will mature on May 20, 2030. DBMG entered into the DBMG Credit Agreement to fully repay DBMG's existing debt obligations and provide additional working capital capacity.

The term loan and borrowings under the new DBMG Credit Agreement bear interest at a rate per annum equal to a SOFR Rate plus a variable spread based on a Senior Funded Indebtedness to EBITDA Ratio as defined in the agreement with an interest rate floor of 4.25% per annum.

As of December 31, 2025, DBMG had a total outstanding balance of \$15.0 million under its Revolving Facility and the effective interest rate on DBMG's revolving loans was 6.80%. Interest on the new revolving facility is paid monthly and the new revolving facility has an unused commitment fee of 0.50% per annum times the average daily unused availability under the line. DBMG had availability for revolving loans of \$119.9 million as of December 31, 2025.

As of December 31, 2025, the total outstanding balance of DBMG's term loan was \$72.6 million, and the effective interest rate was 7.4%. Principal payments and interest on DBMG's term loan is paid monthly.

The DBMG Credit Agreement contains usual and customary restrictive and financial covenants related to debt levels and performance, including a Fixed Charge Coverage Ratio; and a Senior Funded Indebtedness to EBITDA Ratio, both as defined in the DBMG Credit Agreement.

The DBMG Credit Agreement also contains a Change in Control clause, which would constitute an Event of Default, both as defined in the DBMG Credit Agreement, which could accelerate the maturity of our Infrastructure segment's debt in the future upon certain events, including a sale of DBMG.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Life Sciences

As of December 31, 2025, our Life Sciences segment has aggregate principal outstanding debt of \$47.9 million with Lancer, a related party.

On August 4, 2025, Lancer and R2 Technologies entered into an Amended and Restated Senior Secured Promissory Note (the "Lancer Note"), which was previously amended multiple times as further described below, and which, among other things, extended the maturity of the note to the earlier of August 1, 2026, or the occurrence of (i) a Change of Control (as defined in the amended note) or (ii) the sale of all or substantially all of the assets of R2 Technologies. The note can be repaid at any time with an optional prepayment of the entire then-outstanding and unpaid principal and accrued interest upon five-days written notice to Lancer Capital. The amended note has an interest rate of 12% and removed certain exit and default fees. Accrued and unpaid interest is capitalized monthly into the principal balance. As of December 31, 2025, the effective interest rate on the note, as amended, was 17.0%.

The total new initial principal amount of the amended Lancer Note on August 4, 2025 was \$43.5 million, which incorporated the \$20.0 million principal amount of the note as previously amended effective January 31, 2024 (which was comprised of a principal amount of \$17.4 million and unpaid accrued interest of \$2.6 million), accrued interest of \$7.0 million and \$16.5 million in accrued exit fees which had been incurred from January 31, 2024 through August 4, 2025. In addition, a new 5% extension fee of \$2.2 million was capitalized into the principal amount on August 4, 2025.

As of December 31, 2025, the total carrying amount relating to the note, which is included within the Current portion of debt obligations in the Consolidated Balance Sheet, was \$46.6 million, inclusive of \$47.9 million of principal (which includes capitalized interest and fees), partially offset by \$1.3 million of the unamortized OID for the extension fee. Interest expense, including amortization of fees, related to the Lancer Note was \$14.7 million for the year ended December 31, 2025.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

During the year ended December 31, 2025, Pansend closed on several intercompany convertible 13.0% note instruments with R2 Technologies, and funded a total of \$7.5 million to R2 Technologies. The outstanding principal amounts of the notes, together with any interest then accrued and unpaid, is convertible at the option of Pansend into shares of a new Series E Convertible Preferred Stock ("Series E") or new Series F Convertible Preferred Stock ("Series F") in R2 Technologies, as applicable to each note, upon written notice to R2 Technologies and the notes have a maturity date, of the earlier of July 31, 2026, or a change in control of R2 Technologies, as defined in the notes. These notes and related intercompany interest are eliminated on consolidation. Subsequent to year end, in February and March 2026, an additional \$0.3 million in intercompany convertible 13.0% notes with R2 Technologies was funded.

Refer to Note 16. Equity and Temporary Equity to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information on R2 Technologies' convertible preferred stock and convertible notes.

Spectrum

On August 4, 2025, Spectrum entered into a Tenth Omnibus Amendment to Secured Notes and Limited Consent to MSD Secured Note and Intercreditor Agreement with the note holders of Spectrum's \$69.7 million 8.50% and 11.45% Notes (the "Spectrum Notes") to, among other things, extend the maturity of such notes from August 15, 2025 to September 30, 2026 (the "Spectrum Notes Extension"). As a result of the Spectrum Notes Extension, additional exit fees of \$9.9 million were incurred, and the total exit fees of \$25.8 million are reflected within Accrued liabilities in the Consolidated Balance Sheet as of December 31, 2025. The exit fees are payable on the earlier of maturity or repayment of the principal, were recorded as original issue discount and are being amortized over the remaining life of the notes, which is assumed to be the maturity date.

Interest is payable upon maturity of the notes. As of December 31, 2025 and 2024, the weighted-average effective interest rates on the notes, as amended, were 25.0% and 22.8%, respectively.

In connection with the Spectrum Notes Extension, INNOVATE entered into a related side letter (the "Spectrum Letter") with the lenders, which required us to meet certain milestones with respect to strategic alternatives for the Spectrum segment, such that, if the Spectrum Notes are not repaid in full in cash on or before November 1, 2025, the side letter provides that we are required to commence an alternative strategic process for HC2B which includes a sale of HC2B with the net proceeds to be applied to the Spectrum Notes. The November 1, 2025 milestone was not reached and in accordance with the Spectrum letter, management initiated a strategic process for HC2B. We have met or extended all milestones associated with the sale as of December 31, 2025. Subsequent to year-end, the December 31, 2025 milestone for a confidential information memorandum and bid process letter was met on the revised date of January 8, 2026. The February 1, 2026 milestone for the submission of at least one bona fide indication of interest in an HC2B sale was waived. The March 1, 2026 milestone for an executed letter of intent regarding an HC2B sale was extended to March 27, 2026. As of the date of this Annual Report on Form 10-K, we are in compliance with the milestone covenants.

The Spectrum Letter also requires us to utilize proceeds from a sale of 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 the Spectrum Notes. Assuming there are sufficient proceeds remaining after such repayment, the side letter provides that we are required to purchase the institutional investors' equity interests in HC2B and DTV for an aggregate purchase price of \$2.0 million. The lenders hold 20,408 shares of common stock in HC2B 2,222,222 shares of common stock in DTV, and warrants to purchase 145,825 shares of common stock of HC2B which can be exercised at any time until August 31, 2028, at an exercise price of \$0.01 per share. These redeemable non-controlling interests totaling \$2.6 million are reflected at carrying value as redeemable non-controlling interests in the Consolidated Balance Sheet as of December 31, 2025. As of December 31, 2025, Management has evaluated this redeemable non-controlling interest and determined that redemption is not probable at this time due to the uncertainty of redemption. Therefore, the carrying amount has not been adjusted to redemption value. The Company will continue to monitor for any changes in circumstances.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference for additional information.

Restrictive Covenants

Pursuant to the 8.50% 2026 Senior Secured Notes Supplemental Indenture, substantially all of the restrictive covenants for the 8.50% 2026 Senior Secured Notes were eliminated.

The indenture governing the 2027 Senior Secured Notes dated August 4, 2025, by and among INNOVATE, the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the "10.50% 2027 Senior Secured Notes Trustee") and collateral trustee (the "10.50% 2027 Senior Secured Notes 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; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. Additionally, the 10.50% 2027 Senior Secured Notes Indenture required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, to be applied to the 10.50% 2027 Senior Secured Notes, such that by September 1, 2025, we needed to have a bona fide bid or term sheet related to a potential sale. The September 1, 2025 milestone was not reached, and in accordance with the indenture, we have thus been required to commence a sales process for DBMG. The sales process for DBMG has separate milestone requirements, which we have either met or extended as of December 31, 2025. In addition, subsequent to year end, the February 1, 2026 milestone for a final bid or term sheet was extended to March 1, 2026 and was met on this revised date. The March 1, 2026 milestone for a fully executed purchase agreement, has been extended to April 1, 2026. As of the date of this Annual Report on Form 10-K, the Company is in compliance with the milestone covenants.

In connection with the Spectrum Notes Extension, INNOVATE entered into a related side letter (the "Spectrum Letter") with the lenders, which required us to meet certain milestones with respect to strategic alternatives for the Spectrum segment, such that, if the Spectrum Notes are not repaid in full in cash on or before November 1, 2025, the side letter provides that we are required to commence an alternative strategic process for HC2B which includes a sale of HC2B with the net proceeds to be applied to the Spectrum Notes. The November 1, 2025 milestone was not reached and in accordance with the Spectrum letter, management initiated a strategic process for HC2B. We have met or extended all milestones associated with the sale as of December 31, 2025. Subsequent to year-end, the December 31, 2025 milestone for a confidential information memorandum and bid process letter was met on the revised date of January 8, 2026. The February 1, 2026 milestone for the submission of at least one bona fide indication of interest in an HC2B sale was waived. The March 1, 2026 milestone for an executed letter of intent regarding an HC2B sale was extended to March 27, 2026. As of the date of this Annual Report on Form 10-K, we are in compliance with the milestone covenants.

The instruments governing the Company's Series A-3 Preferred Stock and Series A-4 Preferred Stock also limit our and our subsidiaries ability to take certain actions, including, among other things, to incur additional indebtedness; issue additional Series A-3 Preferred Stock 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.

We have conducted our operations in a manner that has resulted in compliance with the indentures, and as of the date of this Annual Report on Form 10-K we are in compliance with the covenants of our debt agreements. The September 1, 2025 milestone was not reached on our 2027 Senior Secured Notes, the Company has thus initiated a sales process for DBMG, and is in compliance with the milestone covenants requirement. Due to other pending milestones which will require the sale of assets and use of proceeds to pay off our debt, we have classified certain debt instruments with long-term contractual maturities as current. If we fail to meet these pending milestones, and therefore are unable to remain in compliance and do not make alternate arrangements or obtain a waiver, an event of default would occur under our indentures 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 that we will be able to complete any non-operational transaction we may undertake to maintain compliance with covenants or, even if we complete any such transaction, that we will be able to maintain compliance for any subsequent period.

The debt instruments associated with our Infrastructure segment contain customary restrictive and financial covenants related to debt levels and performance, including a Fixed Charge Coverage Ratio covenant, and a Senior Funded Indebtedness to EBITDA Ratio, both as defined in the agreement. The debt instruments associated with our Infrastructure segment also contain a Change in Control clause, which would constitute an Event of Default, both as defined in the DBMG Credit Agreement, which could accelerate the maturity of the segment's debt in the future upon certain events, including a sale of DBMG. As of December 31, 2025, our Infrastructure segment was in compliance with the covenants of its debt agreement.

Refer to Note 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information.

Short- and Long-Term Liquidity Considerations and Risks

Our Non-Operating Corporate segment's liquidity needs have primarily been for interest payments on our senior secured notes, convertible notes, Revolving Line of Credit, CGIC Note, and dividend payments, out of legally available funds, on our Series A-3 and Series A-4 Preferred Stock and recurring operational expenses. As a result of our recent refinancing as discussed in "Indebtedness" above, certain interest payments for our Corporate debt will be or has been paid in kind and therefore will be incorporated into the respective principal balances to be paid on maturity of the respective debt.

On a consolidated basis, as of December 31, 2025, we had \$112.1 million of cash and cash equivalents, excluding restricted cash, compared to \$48.8 million as of December 31, 2024. On a stand-alone basis, as of December 31, 2025, our Non-Operating Corporate segment had cash and cash equivalents, excluding restricted cash, of \$4.2 million and no marketable securities, as compared to cash and cash equivalents, excluding restricted cash, of \$13.8 million and \$1.8 million of marketable securities as of December 31, 2024.

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

As of December 31, 2025, we had \$687.2 million of principal indebtedness on a consolidated basis compared to \$668.3 million as of December 31, 2024, a net increase of \$18.9 million, due to an increase in debt at our Non-Operating Corporate and Life Sciences segments, partially offset by a decrease in debt at our Infrastructure segment. The increase at our Non-Operating Corporate segment was due to the August 2025 refinancing and exchanges of our senior secured notes and convertible notes and the capitalization of fees and unpaid accrued interest into the principal amounts of the new notes, the capitalization of extension fees and unpaid accrued interest into the principal amount of our CGIC note, the exchange of the accrued value of 8,063 shares of Series A-4 Preferred Stock of the Company held by CGIC, and unpaid accrued dividends for the A-3 and A-4 Preferred Stock for an additional principal amount of the CGIC Note. The increase at our Life Sciences segment was due to the capitalization of fees and unpaid accrued interest of \$23.9 million at R2 Technologies into the outstanding principal balance of their note with Lancer. The increases in debt were partially offset by a \$57.0 million decrease in debt at our Infrastructure segment due to their second quarter 2025 refinancing transaction and repayments on their debt.

On a stand-alone basis, our Non-Operating Corporate segment principal indebtedness was \$481.9 million and \$429.9 million as of December 31, 2025 and 2024, respectively. The December 31, 2025 indebtedness balance consists of the \$360.4 million aggregate principal amount of new 10.50% 2027 Senior Secured Notes, \$53.5 million aggregate principal amount of new 9.50% 2027 Convertible Notes, \$1.9 million aggregate principal amount remaining of 8.50% 2026 Senior Secured Notes, \$0.2 million aggregate principal amount remaining of 7.50% 2026 Convertible Notes, \$45.9 million principal amount of the CGIC Note and \$20.0 million aggregate principal amount drawn on our Revolving Line of Credit.

Our Non-Operating Corporate segment is required to make semi-annual interest payments on the 10.50% 2027 Senior Secured Notes and on the 2027 Convertible Notes, on February 1st and August 1st of each year. For the first interest period only, which is the interest period ending on January 31, 2026, interest will be paid in kind. Interest payments on the CGIC Note are required on a monthly basis; however, interest will be paid in kind through August 31, 2026. All remaining interest payments will be paid in cash in arrears. We are also required to make quarterly interest payments on our Revolving Line of Credit and semi-annual interest payments on the 8.50% 2026 Senior Secured Notes and 2026 Convertible Notes on February 1st and August 1st of each year.

We are required to make dividend payments, out of legally available funds, on our outstanding Series A-3 Preferred Stock and Series A-4 Preferred Stock on January 15th, April 15th, July 15th, and October 15th of each year. The Series A-3 Preferred Stock and Series A-4 Preferred Stock have a maturity date of July 1, 2026. On the maturity date, the holders will be entitled to redeem the Series A-3 Preferred Stock and Series A-4 Preferred Stock 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); however, it is uncertain at this time whether the Company will have legally available funds to complete the redemption. 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, and (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.

During the first quarter of 2025, the Company accrued the 7.5% quarterly dividend of \$0.3 million and subsequently paid the dividend in April 2025. During the second, third and fourth quarters of 2025, INNOVATE's Board of Directors (the "Board") did not declare any cash dividends with respect to INNOVATE's issued and outstanding Series A-3 Preferred Stock and Series A-4 Preferred Stock. Aggregate quarterly dividends of \$0.7 million, \$0.5 million, and \$0.4 million for the second, third and fourth quarters of 2025, respectively, included the annual cash dividend of 7.5% per annum which was accrued and also the accreting dividend of 7.25% per annum. In addition, during the second quarter of 2025, the Company recorded accretion and accrual of additional dividends of \$1.3 million related to prior years, and \$0.2 million related to the first quarter of 2025. On August 4, 2025, \$0.5 million in accrued quarterly dividends was exchanged for an additional principal amount of the CGIC note as part of the Preferred Stock Exchange. Refer to Note 11. Debt Obligations and Note 16. Equity and Temporary Equity for additional information.

Our Non-Operating Corporate segment received \$16.6 million in net tax sharing payments from our Infrastructure segment for the year ended December 31, 2025. Additionally, our Non-Operating Corporate segment received \$17.0 million in dividends from our Infrastructure segment during the year ended December 31, 2025. Subsequent to year end, on February 2, 2026, DBMG declared a \$5.0 million cash dividend which was paid on February 24, 2026, of which our Non-Operating Corporate segment received approximately \$4.6 million.

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 additional assets or certain investments to generate cash. We are currently exploring other strategic alternatives and it is reasonably possible that within the next twelve months we will generate cash proceeds from an asset sale that will be used to repay certain debt obligations as required.

Going Concern

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, as of the date of these financial statements, there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The principal conditions leading to this conclusion are the upcoming maturities of the Company's outstanding debt obligations. Based on these conditions, we may not be able to meet our obligations at maturity nor comply with certain cross-default provisions under the 2027 Senior Secured Notes over the next twelve months, or any potential breach of the milestone covenant of the 2027 Senior Secured Notes Indenture, which has required the Company to commence a sales process for all or substantially all of DBM Global's assets or equity interests in accordance with certain dates and deadlines. Refer to 11. Debt Obligations to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Management has evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The potential inability to refinance or extend the maturity of the aforementioned current debt, or to obtain additional financing, raises substantial doubt about the Company's ability to continue as a going concern.

Management plans to alleviate these conditions through various initiatives it is currently exploring, including pursuing asset sales, and potentially refinancing debt and raising additional capital. However, there can be no assurance that we will have the ability to be successful in any asset sales, additional capital raise, or the refinancing of our existing debt, on attractive terms or at all, nor any assurances that lenders will provide additional extensions, waivers or amendments in the event of future non-compliance with our debt covenants or other possible events of default. Further, there can be no assurance that we will be able to execute a reduction, extension, or refinancing of the debt, or that the terms of any replacement financing would be as favorable as the terms of the debt prior to the maturity dates. There can be no assurance that these plans will be successfully implemented or that they will mitigate the conditions that raise substantial doubt about the Company's ability to continue as a going concern.

The Consolidated Financial Statements included in this Annual Report on Form 10-K do not include any adjustments to the carrying amounts and classification of assets, liabilities, or expenses that may result if the Company is unable to continue as a going concern.

While we have noted the conditions above regarding our ability to continue as a going concern, it is important to note that our largest subsidiary, DBMG, is operationally profitable, continues to maintain a strong financial position and remains in good standing with its lenders. Under INNOVATE's Senior Secured Notes Indenture, DBMG is a restricted subsidiary, not a guarantor, and INNOVATE's equity interests in DBMG are pledged as collateral.

Capital Expenditures

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

	Year Ended December 31,	
	2025	2024
Infrastructure	\$ 23.4	\$ 17.6
Life Sciences	—	—
Spectrum	2.7	1.4
Total	\$ 26.1	\$ 19.0

Purchase Commitments

Unrecorded future minimum purchase commitments as of December 31, 2025, were \$362.3 million. Refer to Note 13. Commitments and Contingencies to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference, for additional information.

Summary of Consolidated Cash Flows

The below table summarizes the cash provided by or used in our activities (in millions):

	Year Ended December 31,		
	2025	2024	Change
Cash provided by operating activities	\$ 146.6	\$ 9.1	\$ 137.5
Cash used in investing activities	(22.6)	(13.9)	(8.7)
Cash used in financing activities	(61.2)	(26.5)	(34.7)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.6	(1.7)	2.3
Net increase (decrease) in cash and cash equivalents, including restricted cash	\$ 63.4	\$ (33.0)	\$ 96.4

Operating Activities

Cash provided by operating activities was \$146.6 million for the year ended December 31, 2025, as compared to \$9.1 million for the year ended December 31, 2024, an improvement of \$137.5 million. Cash flows from operations are primarily influenced by changes in the timing of demand for services and by operating margins, but can also be affected by working capital needs associated with our operations. For the year ended December 31, 2025, the improvement in cash flows from operating activities was primarily driven by an increase in cash provided by operating activities at our Infrastructure segment and, to a much lesser extent, a decrease in cash used in operating activities at our Non-Operating Corporate segment. The improvement at our Infrastructure segment was due to an increase in working capital inflows primarily due to normal business fluctuations in contract-related assets and liabilities, accounts payable and other accrued liabilities, partially offset by a decrease in working capital inflows primarily from the fluctuations in accounts receivable, due to the timing of regular billing and collection activities and ordinary project activity. Our Non-Operating Corporate segment's decrease in cash used in operating activities was primarily due to a decrease in cash paid for interest, partially offset by an increase in cash paid for taxes, and an increase in operating expenses primarily due to refinancing costs.

Investing Activities

Cash used in investing activities was \$22.6 million for the year ended December 31, 2025, as compared to \$13.9 million for the year ended December 31, 2024, an increase in cash used in investing activities of \$8.7 million. Capital expenditures totaled \$26.1 million, or \$24.7 million net of proceeds from disposals, for the year ended December 31, 2025, as compared to \$19.0 million, or \$8.9 million net proceeds after disposals, for the year ended December 31, 2024, for a net increase in cash used in investing activities of \$15.8 million. The increase was primarily driven by our Infrastructure segment, which had more PP&E sales in the comparable year due to a plant closure in 2024, and increased PP&E additions in the current year at our Infrastructure and Spectrum segments. In addition the comparable year included unreported proceeds of \$0.5 million in other investing activities related to a note receivable at our Life Sciences segment. These increases in cash used in investing activities were partially offset by net proceeds related to purchase and sale of marketable securities investments at our Non-Operating Corporate segment of \$2.6 million in the current year, as compared to \$2.0 million in net payments for these investments in the prior year. In addition, the prior year cash outflows at our Life Sciences segment included loans to MediBeacon of \$2.3 million, and there was a \$0.7 million decrease in asset acquisition payments at our Spectrum segment as compared to the prior year.

Financing Activities

Cash used in financing activities was \$61.2 million for the year ended December 31, 2025, as compared to \$26.5 million for the year ended December 31, 2024, an increase in cash used in financing activities of \$34.7 million. The increase in financing cash outflows was primarily driven by our Non-Operating Corporate segment, which received \$33.2 million in net proceeds from the Rights Offering and Concurrent Private Placement in 2024. In addition, for the year ended December 31, 2025, net repayments on other debt obligations totaled \$27.4 million, as compared to net repayments of \$3.0 million in the comparable year, an increase in cash outflows of \$24.4 million, driven primarily by term loan activity at our Infrastructure segment, who refinanced their debt in the current year, and had a \$29.5 million net increase in other debt obligation outflows, partially offset by our Non-Operating Corporate segment, due to an unreported \$4.1 million repayment on the CGIC Note in the comparable year and unreported \$1.0 million payment for partial redemption of our 2026 Convertible Notes in the comparable year. These increases in cash outflows were partially offset by a decrease in net cash outflows from revolving credit facility activity, which totaled \$30.9 million for year ended December 31, 2025, as compared to \$55.0 million in the prior year, for a decrease in net cash outflows of \$24.1 million, which was attributable to our Infrastructure segment. The increase in cash used in financing activities was also driven by a \$1.0 million increase in dividends paid primarily due to \$1.6 million in dividends declared and paid by DBMG during the year ended December 31, 2025, partially offset by a \$0.6 million decrease in cash paid for preferred share dividends at our Non-Operating Corporate Segment, a \$0.3 million increase in debt issuance costs paid to third parties and a \$0.2 million increase in cash paid for other financing activities. The increase in cash outflows was also partially offset by a \$0.3 million decrease in payments to non-controlling interests due to a final distribution made by our Other segment to New Saxons' non-controlling interests in the prior year.

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 on 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 interest payments on all of its debt. Based upon the December 31, 2025, debt balance, DBMG anticipates that its interest payments will be approximately \$1.4 million for each quarter of 2026.

New Accounting Pronouncements

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

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles under U.S. Generally Accepted Accounting Principles ("GAAP") requires the use of estimates and assumptions that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental disclosures, including information about contingencies, risk and financial condition.

Critical accounting estimates are defined as those that are reflective of significant judgments and uncertainties and potentially yield materially different results under different assumptions or conditions. Given current facts and circumstances, we believe that our estimates and assumptions are reasonable, adhere to GAAP and are consistently applied. Our selection and disclosure of our critical accounting policies and estimates has been reviewed with our Audit Committee. The following is a review of the more significant assumptions and estimates used in the preparation of our consolidated financial statements. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment. Refer to Note 2. Summary of Significant Accounting Policies and Note 3. Revenue and Contracts in Process to the Consolidated Financial Statements of this Annual Report on Form 10-K, which discuss our significant accounting and revenue recognition policies and are incorporated herein by reference.

Revenue Recognition - Estimated Costs to Complete

With respect to our Infrastructure segment (DBMG), we recognize a significant portion of our revenue over time using the input method to measure the progress of costs incurred for our service and construction contracts. DBMG performs its services primarily under fixed-price contracts and recognizes revenue over time using the input method to measure progress for its projects. DBMG transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if one of the following three criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by DBMG's performance as we perform, (b) DBMG's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (c) the DBMG's performance does not create an asset with an alternative use to us, and we have an enforceable right to payment for performance completed to date. The Company has determined that one or more of these three criteria are met for such contracts. The most reliable measure of progress is the cost incurred towards delivery of the completed project. Therefore, the input method provides the most reliable method to measure progress. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when we and a customer or general contractor have agreed on both the initial scope and price of any subsequently mutually agreed upon change orders due to a change in scope or other cost factors, the work has commenced, and that realization of revenue is reasonably assured. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which a loss on a contract becomes determinable.

Income Taxes

Our annual tax rate is based on our income, statutory tax rates, exchange rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties.

We review our tax positions on a quarterly basis and adjust the related balances as new information becomes available. Deferred tax assets represent amounts available to reduce income taxes payable in future periods and arise primarily from temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards.

The realizability of deferred tax assets is evaluated by assessing the sufficiency of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. To provide insight, we use our historical experience and our short and long-range business forecasts. We must make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount of the valuation allowance. Based on an evaluation of available positive and negative evidence, we concluded that it was more likely than not that the net deferred tax assets of the INNOVATE Corp. U.S. consolidated income tax group and certain separate entity filers will not be realized. Therefore, a full valuation allowance was maintained against the net deferred tax assets as of December 31, 2025. Although realization is not assured for the remaining deferred income tax assets, we believe it is more likely than not that the deferred tax assets will be realized within the applicable statutory expiration periods. However, deferred tax assets could be reduced in future periods if estimates of taxable income are significantly reduced.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. Expected outcomes of current or anticipated tax examinations, refund claims and tax-related litigation and estimates regarding additional tax liability (including interest and penalties thereon) or refunds resulting therefrom are estimates recorded to the extent applicable based on management judgment. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations.

Refer to Note 12. Income Taxes to the Consolidated Financial Statements of this Annual Report on Form 10-K for further information, which is incorporated herein by reference.

Goodwill and Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but, rather, are tested for impairment. We test goodwill and indefinite-lived intangibles for impairment at least annually in the fourth quarter (October 1st) or when factors indicate that the carrying amounts of assets may not be recoverable and that there is a potential impairment in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"). The factors that we consider important, and which could trigger an impairment review, include, but are not limited to: a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit; a significant decline in the market value of our common stock or debt securities for a sustained period; a material adverse change in economic, financial market, industry or sector trends; a material failure to achieve operating results relative to historical levels or projected future levels; and significant changes in operations or business strategy. Intangible assets that have finite lives are amortized over their estimated useful lives and are subject to the impairment provisions of ASC 360, *Property, plant, and equipment* ("ASC 360").

We elect to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying value, and if so, a quantitative test is performed. The quantitative evaluation for impairment of indefinite-lived intangibles consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to the excess, limited to the amount of recognized goodwill.

Under the quantitative test, we estimate the fair value of a reporting unit, which requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our assessment of a number of factors, including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves, and industry and general economic data from third-party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. Further, we assess the current market capitalization, forecasts and the amount by which the fair values exceeded the carrying values. If the carrying amount of the reporting unit exceeds the fair value, an impairment loss shall be recognized in an amount equal to the excess.

Based on qualitative assessments performed as of October 1, 2025, management determined it was more likely than not that the fair value of its reporting units and the fair value of the indefinite-lived intangible assets exceeded their carrying values, and, as such, no impairment was required.

Intangible assets not subject to amortization (i.e. indefinite-lived intangibles) consist of certain television broadcast licenses. Intangible assets subject to amortization consist of certain trade names, customer contracts and developed technology. These finite-lived intangible assets are amortized based on their estimated useful lives. Such assets are subject to the impairment provisions of ASC 360, wherein impairment is recognized and measured only if there are events and circumstances that indicate that the carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset group. An impairment loss is recorded to the extent the carrying amount of the asset or asset group exceeds the fair value and is not recoverable.

Refer to Note 8. Goodwill and Intangibles, Net, to the Consolidated Financial Statements of this Annual Report on Form 10-K for additional information on goodwill and intangible assets, including, if applicable, any intangible impairments recorded during the years presented, which is incorporated herein by reference.

As of December 31, 2025, we had initiated processes to explore strategic alternatives for potential asset sales. Management considered whether these actions represented an indicator of impairment. Based on the information available as of December 31, 2025, management concluded it was not more likely than not that the estimated fair value of the applicable reporting unit(s) was less than its carrying value. Management will continue to monitor events and circumstances related to the sales processes and will perform interim impairment testing if facts and circumstances change that would indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Related Party Transactions

For a discussion of our Related Party Transactions, refer to Note 17. Related Parties to the Consolidated Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Special Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. We have made statements in this Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (the "2025 Annual Report") that may constitute "forward-looking statements." 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 future acquisitions and dispositions and the successful integration of acquisitions with INNOVATE or the applicable subsidiary, litigation, potential and contingent liabilities, management's plans, changes in regulations and taxes.

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 Item 1A of this Annual Report on Form 10-K 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:

- our dependence on distributions from our subsidiaries to fund our operations and payments on our obligations;
- substantial doubt about our ability to continue operating as a going concern;
- 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 Indentures governing INNOVATE's 2027 Senior Secured Notes, 2027 Convertible Notes, 2026 Senior Secured Notes, 2026 Convertible Notes, CGIC Subordinated Secured Promissory Note and Revolving Line of Credit, our Third Amended and Restated Certificate of Incorporation and all other subsidiary debt obligations as summarized in Note 11. Debt Obligations to our Consolidated Financial Statements included in this Annual Report on Form 10-K and any future amendments or other new financing agreements on our ability to operate our business and finance our pursuit of acquisition opportunities;
- 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 including the passing in 2023 of Mr. Barr, our former CEO, President and Director and the successful transition of his management responsibilities;
- 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;
- changes in market conditions, including from political regulatory or market uncertainty, changes in foreign exchange rates, interest rates or inflation, supply chain disruptions, labor shortages and increases in overall price levels, including in transportation costs;
- the uncertain effects of U.S. and foreign government actions affecting international trade and economic policy, including changes in volatility in tariffs and trade policies and retaliatory actions, on credit markets, customers, and customer retention, and demand for our products and services;
- 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 effects related to or resulting from ongoing and recent geopolitical events, such as the conflicts in Ukraine, the Middle East, and Venezuela, 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;
- 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 on 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 NYSE;
- 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, 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;
- 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;
- changes in economic conditions, including from the impact of inflationary pressures and changes in interest rates;
- 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;
- Indebtedness of R2 Technologies that will mature on August 1, 2026;
- 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 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of the independent registered public accounting firm and consolidated financial statements listed in the accompanying index are included in [Item 15](#) of this report. Refer to the Index to the Consolidated Financial Statements on page F-1 of this Annual Report Form 10-K, which is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 December 31, 2025, 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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of the inherent limitations in any internal control, no matter how well designed, misstatements may occur and not be prevented or detected. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting described below was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. This assessment was based on updated criteria for effective internal control over financial reporting set forth by the Committee of Sponsoring Organizations of the Treadway Commission Internal Control-Integrated Framework (2013). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2025.

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 December 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

There were no "non-Rule 10b5-1 trading arrangements" (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified, or terminated during the quarter ended December 31, 2025, by our directors and Section 16 officers.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding this item will be set forth in our definitive proxy statement for our 2026 meeting of stockholders ("2026 Proxy Statement") and is incorporated herein by reference.

Code of Conduct

We have adopted a Code of Conduct applicable to all directors, officers and employees, including the Chief Executive Officer, senior financial officers and other persons performing similar functions. The Code of Conduct is a statement of business practices and principles of behavior that support our commitment to conducting business in accordance with the highest standards of business conduct and ethics. Our Code of Conduct covers, among other things, compliance resources, conflicts of interest, compliance with laws, rules and regulations, internal reporting of violations and accountability for adherence to the Code of Conduct. A copy of the Code of Conduct is available under the "Investor Relations-Corporate Governance" section of our website at www.innovatecorp.com. Any amendment of the Code of Conduct or any waiver of its provisions for a director or executive officer must be approved by the Board or a duly authorized committee thereof. We intend to post on our website all disclosures that are required by law or the rules of the NYSE concerning any amendments to, or waivers from, any provision of the Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding this item will be set forth in our 2026 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding this item will be set forth in our 2026 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding this item will be set forth in our 2026 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services will be set forth in our 2026 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *List of Documents Filed as Part of This Report:*

1) *Index to Consolidated Financial Statements*

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Statements of Operations](#)

[Consolidated Statements of Comprehensive Loss](#)

[Consolidated Balance Sheets](#)

[Consolidated Statements of Stockholders' Deficit](#)

[Consolidated Statements of Cash Flows](#)

[Notes to Consolidated Financial Statements](#)

2) *Financial Statement Schedules*

Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included.

3) Exhibit Index

The following is a list of exhibits filed (including those incorporated by reference) or furnished as part of this Annual Report on Form 10-K.

Exhibit Number	Description
2.1	<u>Stock Purchase Agreement, dated March 26, 2021, by and among INNOVATE 2 Corp (f/k/a HC2 Holdings 2, Inc.), Continental Insurance Group, Ltd. and Continental General Holdings LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by INNOVATE on March 29, 2021) (File No. 001-35210)</u>
3.1	<u>Fourth Amended and Restated By-Laws of INNOVATE Corp (f/k/a HC2 Holdings, Inc.) dated February 21, 2019 (incorporated by reference to Exhibit 3.1 to INNOVATE's Current Report on Form 8-K, filed on February 25, 2019) (File No. 001-35210)</u>
3.2	<u>Amendment #1 to Fourth Amended and Restated By-Laws of INNOVATE Corp., (f/k/a HC2 Holdings Inc.) effective September 20, 2021 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on August 19, 2021) (File No. 001-35210)</u>
3.3	<u>Third Amended and Restated Certificate of Incorporation of INNOVATE Corp., dated September 30, 2024 (incorporated by reference to Exhibit 4.1 to INNOVATE's Form S-8 Registration Statement, filed with the SEC on October 30, 2024 (File No. 001-35210)</u>
4.1	<u>Amended and Restated Certificate of Designation of Series A Fixed-to-Floating Rate Perpetual Preferred Stock of DBM Global Intermediate Holdco Inc. dated July 1, 2021 (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by INNOVATE on July 7, 2021) (File No. 001-35210)</u>
4.2	<u>Secured Note dated October 24, 2019, by and among HC2 Station, HC2 LPTV, HC2 Broadcasting Inc. ("HC2 Broadcasting"), HC2 Network Inc. ("HC2 Network") (collectively the "Subsidiary Borrowers"), HC2 Broadcasting Intermediate Holdings Inc. ("HC2 Intermediate") (the "Intermediate Parent"), HC2 Broadcasting Holdings (the "Parent Borrower" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "Borrowers"), and MSD PCOF Partners XVIII, LLC ("MSD") (incorporated by reference to Exhibit 4.12 to INNOVATE's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210)</u>
4.3	<u>Amended and Restated Secured Note dated October 24, 2019, by and among HC2 Station, HC2 LPTV, HC2 Broadcasting, HC2 Network (collectively, the "Subsidiary Borrowers"), HC2 Intermediate (the "Intermediate Parent"), HC2 Broadcasting Holdings (the "Parent Borrower" and, together with the Intermediate Parent and the Subsidiary Borrowers, the "Borrowers"), and Great American Life Insurance Company ("GALIC") and Great American Insurance Company ("GAIC") (incorporated by reference to Exhibit 4.13 to INNOVATE's Annual Report on Form 10-K, filed on March 16, 2020) (File No. 001-35210)</u>
4.4	<u>First Omnibus Amendment to Secured Notes and Intercreditor Agreement dated as of February 21, 2020, by and among Station Group, LPTV, Broadcasting, Network, and HC2 Broadcasting Inc., Intermediate Parent, Parent Borrower, and MSD PCOF Partners, XVIII, LLC ("MSD"), GALIC and GAIC (incorporated by reference to Exhibit 4.1 to INNOVATE's Quarterly Report on Form 10-Q, filed on May 11, 2020) (File No. 001-35210)</u>
4.5	<u>Second Omnibus Amendment to Secured Notes dated as of August 31, 2020, by and among Station Group, LPTV, Broadcasting, Network, and HC2 Broadcasting Inc., Intermediate Parent, Parent Borrower, and MSD PCOF Partners, XVIII, LLC ("MSD"), GALIC and GAIC (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K filed on March 9, 2022) (File No. 001-35210)</u>
4.6	<u>Third Omnibus Amendment to Secured Notes and Second Amendment to Intercreditor Agreement dated as of September 25, 2020, by and among Station Group, LPTV, Broadcasting, Network, and HC2 Broadcasting Inc., Intermediate Parent, Parent Borrower, and MSD PCOF Partners, XVIII, LLC ("MSD"), GALIC and GAIC (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on November 9, 2020) (File No. 001-35210)</u>
4.7	<u>Fourth Omnibus Amendment to Secured Notes and Third Amendment to Intercreditor Agreement, dated as of November 25, 2020, by and among Station Group, LPTV, Broadcasting, Network, and HC2 Broadcasting Inc., Intermediate Parent, Parent Borrower, and MSD PCOF Partners, XVIII, LLC ("MSD"), GALIC and GAIC (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K filed on March 9, 2022) (File No. 001-35210)</u>
4.8	<u>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 by and among HC2 Station Group, Inc., HC2 LPTV Holdings, Inc., HC2 Broadcasting Inc., HC2 Network Inc., HC2 Broadcasting License Inc., HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., MSD PCOF Partners XVIII, LLC, Great American Life Insurance Company and Great American Insurance Company (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by INNOVATE on October 27, 2021) (File No. 001-35210)</u>
4.9	<u>Sixth Omnibus Amendment to Secured Notes, dated as of November 28, 2022, by and among HC2 Station Group, Inc., HC2 LPTV Holdings, Inc., HC2 Broadcasting Inc., HC2 Network Inc., HC2 Broadcasting License Inc., DTV America Corporation, HC2 Broadcasting Intermediate Holdings Inc., HC2 Broadcasting Holdings Inc., MSD PCOF Partners, XVIII, LLC, MassMutual Ascent Life Insurance Company and Great American Insurance Company (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by INNOVATE on November 29, 2022) (File No. 001-35210)</u>

- 4.10 [Seventh Omnibus Amendment to Secured Notes, dated as of December 30, 2022, by and among HC2 Station Group, Inc., HC2 Broadcasting Inc., HC2 Network Inc., HC2 Broadcasting License 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 \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by INNOVATE on January 5, 2023\) \(File No. 001-35210\)](#)
- 4.11 [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 \(incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q filed by INNOVATE on August 9, 2023\) \(File No. 001-35210\)](#)
- 4.12 [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 \(incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q filed by INNOVATE on November 9, 2023\) \(File No. 001-35210\)](#)
- 4.13 [Ninth Amended and Restated Agreement Re: Secured Notes dated October 24, 2019, among HC2 Station, HC2 LPTV, HC2 Network, HC2 Broadcasting, GALIC, GAIC and MSD \(incorporated by reference to Exhibit 10.38 to INNOVATE's Annual Report on Form 10-K, filed on March 16, 2020\) \(File No. 001-35210\)](#)
- 4.14 [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 \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by INNOVATE on February 1, 2021\) \(File No. 001-35210\)](#)
- 4.15 [Form of 8.500% senior secured notes due 2026 \(incorporated by reference to Exhibit 4.2 \(included in Exhibit 4.1\) to the Current Report on Form 8-K filed by INNOVATE on February 1, 2021\) \(File No. 001-35210\)](#)
- 4.16 [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 \(incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by INNOVATE on February 1, 2021\) \(File No. 001-35210\)](#)
- 4.17 [Form of 7.5% convertible senior notes due 2026 \(incorporated by reference to Exhibit 4.4 \(included at p.15 of Exhibit 4.3\) to the Current Report on Form 8-K filed by INNOVATE on February 1, 2021\) \(File No. 001-35210\)](#)
- 4.18 [Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 4.19 [Agreement Re: Secured Notes, dated January 22, 2019, by and among HC2 Station, HC2 LPTV, GALIC and GAIC \(incorporated by reference to Exhibit 10.1 to INNOVATE's Current Report on Form 8-K, filed on January 23, 2019\) \(File No. 001-35210\)](#)
- 4.20 [Registration Rights Agreement dated as of September 9, 2020, by and between INNOVATE Corp and Lancer Capital LLC \(incorporated by reference to Exhibit 4.21 to INNOVATE's Annual Report on Form 10-K, filed on March 31, 2025\) \(File No. 001-35210\)](#)
- 4.21 [Second Amended and Restated Registration Rights Agreement, dated as of January 5, 2015, by and among INNOVATE Corp. \(f/k/a HC2 Holdings, Inc.\), the initial purchasers of the Series A Preferred Stock, the initial purchasers of the Series A-1 Preferred Stock and the purchasers of the Series A-2 Preferred Stock \(incorporated by reference to Exhibit 10.2 on INNOVATE's Current Report on Form 8-K, filed on January 9, 2015\) \(File No. 001-35210\)](#)
- 4.22 [Registration Rights Agreement dated as of March 5, 2024 by and between INNOVATE Corp. and Lancer Capital LLC \(incorporated by reference to Exhibit 10.71 to the Annual Report on Form 10-K filed on March 6, 2024\) \(File No. 001-35210\)](#)
- 4.23 [Indenture governing the 10.500% senior secured notes due 2027, dated as of August 4, 2025, by and among INNOVATE Corp., the guarantors party thereto and U.S. Bank Trust Company, National Association \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on August 5, 2025\) \(File No. 001-35210\)](#)
- 4.24 [Form of 10.500% senior secured notes due 2027 \(incorporated by reference to Exhibit A of Exhibit 4.1 to the Current Report on Form 8-K filed on August 5, 2025\) \(File No. 001-35210\)](#)
- 4.25 [First supplemental indenture dated as of August 4, 2025, to the indenture governing the 8.500% senior secured notes due 2026, dated as of February 1, 2021, by and among HC2 Holdings, Inc., the guarantors party thereto and U.S. Bank National Association \(incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on August 5, 2025\) \(File No. 001-35210\)](#)
- 4.26 [Indenture governing the 9.500% convertible senior secured notes due 2027, dated as of August 4, 2025, by and among INNOVATE Corp., the guarantors party thereto and U.S. Bank Trust Company, National Association \(incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed on August 5, 2025\) \(File No. 001-35210\)](#)
- 4.27 [Form of 9.500% convertible senior secured notes due 2027 \(incorporated by reference at page 35 to Exhibit 4.4 to the Current Report on Form 8-K filed on August 5, 2025\) \(File No. 001-35210\)](#)

4.28	<u>First supplemental indenture dated as of August 4, 2025, to the indenture governing the 7.5% convertible senior notes due 2026, dated as of February 1, 2021, by and between HC2 Holdings, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.6 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-35210)</u>
4.29	<u>Seventh Amendment to Credit Agreement, dated as of July 31, 2025, among INNOVATE Corp., the guarantors party thereto and MSD PCOF Partners IX, LLC (incorporated by reference to Exhibit 4.7 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-3520)</u>
4.30	<u>Eighth Amendment to Credit Agreement, dated as of August 4, 2025, among INNOVATE Corp., the guarantors party thereto and MSD PCOF Partners IX, LLC (incorporated by reference to Exhibit 4.8 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-3520)</u>
4.31	<u>Tenth Omnibus Amendment to Secured Notes, dated as of August 4, 2025, 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, Mass Mutual Ascend Life Insurance Company and Great American Insurance Company (incorporated by reference to Exhibit 4.9 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-35210)</u>
4.32	<u>Side Letter to Tenth Omnibus Amendment to Secured Notes, dated as of August 4, 2025, by and among Innovate Corp., MassMutual Ascend Life Insurance Company, Great American Insurance Company and MSD PCOF Partners XVIII, LLC (incorporated by reference to Exhibit 4.10 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-35210)</u>
10.1^	<u>INNOVATE Corp. (f/k/a HC2 Holdings Inc.) 2014 Omnibus Equity Award Plan (incorporated by reference to Exhibit A to INNOVATE's Definitive Proxy Statement, filed on April 30, 2014) (File No. 001-35210)</u>
10.2^	<u>Employment Agreement, dated May 20, 2015, by and between INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) and Michael Sena (incorporated by reference to Exhibit 10.2 on INNOVATE's Quarterly Report on Form 10-Q, filed on August 10, 2015) (File No. 001-35210)</u>
10.3^	<u>Revised Form of Indemnification Agreement of INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) (incorporated by reference to Exhibit 10.1 on INNOVATE's Quarterly Report on Form 10-Q, filed on November 9, 2016) (File No. 001-35210)</u>
10.4^	<u>INNOVATE Corp. (f/k/a HC2 Holdings, Inc.) Amended and Restated 2014 Omnibus Equity Award Plan (incorporated by reference to Exhibit B to the INNOVATE Definitive Proxy Statement filed on April 26, 2017) (File No. 001-35210)</u>
10.5^	<u>Form of Employee Nonqualified Option Award Agreement (incorporated by reference to Exhibit 10.4 on INNOVATE's Quarterly Report on Form 10-Q, filed on August 9, 2016) (File No. 001-35210)</u>
10.6	<u>Securities Purchase Agreement dated as of June 27, 2017 among DTV Holding Inc., John N. Kyle II, Kristina C. Bruni, King Forward, Inc., Equity Trust Co FBO John N. Kyle, Tiger Eye Licensing L.L.C., Bella Spectra Corporation, Kim Ann Dagen and Michael S. Dagen, Trustees of the Kim Ann Dagen Revocable Living Trust Agreement dated March 2, 1999, Madison Avenue Ventures, LLC, Paul Donner, Reeves Callaway, Don Shalhub, Shalhub Medical Investments PA, Tipi Sha, LLC, Luis O. Suau, Irwin Podhajser, Humberto Garriga and DTV Holding Inc. (incorporated by reference to Exhibit 10.1 to INNOVATE's Current Report on Form 8-K, filed on June 28, 2017) (File No. 001-35210)</u>
10.7^	<u>INNOVATE Corp (f/k/a HC2 Holdings, Inc.) Second Amended and Restated 2014 Omnibus Equity Award Plan (incorporated by reference to Exhibit A to INNOVATE's Definitive Proxy Statement, filed on April 30, 2018) (File No. 001-35210)</u>
10.8^	<u>Executive Severance Guidelines effective October 21, 2021 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by INNOVATE on October 27, 2021) (File No. 001-35210)</u>
10.9^	<u>2019 INNOVATE Corp. Executive Bonus Plan effective April 25, 2019 (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-k filed on March 9, 2022) (File No. 001-35210))</u>
10.10^	<u>Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.36 to the Annual Report on Form 10-K filed on March 9, 2022) (File No. 001-35210)</u>
10.11^	<u>Form of Stock Option Agreement (incorporated by reference to Exhibit 10.37 to the Annual Report on Form 10-K filed on March 9, 2022) (File No. 001-35210)</u>
10.12^	<u>Form of Director Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.38 to the Annual Report on Form 10-K filed on March 9, 2022) (File No. 001-35210)</u>
10.13	<u>Letter Agreement with Continental General Insurance Company dated December 30, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by INNOVATE on January 5, 2023) (File No. 001-35210)</u>
10.14	<u>Stock Purchase Agreement dated as of May 9, 2023 by and between INNOVATE Corp. and Continental General Insurance Company (incorporated by reference to Exhibit 10.5 to Quarterly Report on Form 10-Q filed by INNOVATE on May 10, 2023) (File No. 001-35210)</u>
10.15	<u>Subordinated Unsecured Promissory Note dated as of May 9, 2023 by and between INNOVATE Corp. and Continental General Insurance Company (incorporated by reference to Exhibit 10.6 to Quarterly Report on Form 10-Q filed by INNOVATE on May 10, 2023) (File No. 001-35210)</u>

10.16 [^]	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) (File No. 001-35210)
10.17	INNOVATE Corp. Clawback Policy effective November 2, 2023 (incorporated by reference to Exhibit 10.66 to the Annual Report on Form 10-K filed by INNOVATE on March 6, 2024) (File No. 001-35210)
10.18	INNOVATE Corp. Second Amended and Restated 2014 Omnibus Equity Award Plan, as amended (incorporated by reference to Exhibit A to INNOVATE's Information Statement on Schedule 14C, filed with the SEC on October 7, 2024) (File No. 001-35210)
10.19	Third Amended & Restated Limited Liability Company Agreement of Pansend Life Sciences, LLC, dated as of November 21, 2019, by and among INNOVATE 2 Corp. (f/k/a HC2 Holdings 2, Inc.), David Present and Cherine Plumaker (incorporated by reference to Exhibit 10.32 to the Annual Report on Form 10-K filed on March 31, 2025) (File No. 001-35210)
10.20 [^]	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.33 to the Annual report on Form 10-K filed on March 31, 2025) (File No. 001-35210)
10.21	Subordinated Secured Promissory Note dated August 4, 2025 by and between INNOVATE Corp. and Continental General Insurance Company (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-35210)
10.22	Amended and Restated Senior Secured Promissory Note dated as of August 4, 2025 by and between R2 Technologies, Inc. and Lancer Capital LLC (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on August 5, 2025) (File No. 001-35210)
10.23	Collateral Trust Agreement dated August 4, 2025 among INNOVATE Corp., the other Grantors from time to time party thereto, U.S. Bank Trust Company, National Association, as Trustee under the Indenture, MSC PCOF Partners IX, LLC, as First-Out Lender under the First-Out Credit Agreement and a Fixed Out Authorized Representative, and U.S. Bank Trust Company, National Association, as Collateral Trustee (filed herewith)
10.24	Amended and Restated Credit Agreement, dated as of May 20, 2025, by and among DBM Global Inc., the other Borrowers listed on Schedule 1.1 thereto, the Lenders, which are party thereto from time to time and UMB Bank, n.a., a national banking association, as Letter of Credit Issuer and as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 21, 2025) (File No. 001-35210)
19	INNOVATE Corp. Insider Trading Policy effective November 2, 2023 (incorporated by reference to Exhibit 10.67 to the Annual Report on Form 10-K filed by INNOVATE on March 6, 2024) (File No. 001-35210)
21.1	Subsidiaries of INNOVATE (filed herewith)
23.1	Consent of BDO USA, P.C., an independent registered public accounting firm (filed herewith)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith)
32.1*	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (furnished herewith)
101	The following materials from the registrant's Annual Report on Form 10-K for the fiscal years ended December 31, 2025 and 2024, formatted in extensible business reporting language (XBRL): (i) Consolidated Statements of Operations (ii) Consolidated Statements of Comprehensive (Loss) , (iii) Consolidated Balance Sheets , (iv) Consolidated Statements of Stockholders' Deficit , (v) Consolidated Statements of Cash Flows , and (vi) Notes to Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2025, 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.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ PAUL K. VOIGT
Paul K. Voigt
President and Interim Chief Executive Officer
(Principal Executive Officer)

Date: March 26, 2026

POWER OF ATTORNEY

Each of the officers and directors of INNOVATE Corp., whose signature appears below, in so signing, also makes, constitutes and appoints each of Paul K. Voigt and Michael J. Sena, and each of them, his true and lawful attorneys-in-fact, with full power and substitution, for him in any and all capacities, to execute and cause to be filed with the SEC any and all amendments to this Annual Report on Form 10-K, with exhibits thereto and other documents connected therewith and to perform any acts necessary to be done in order to file such documents, and hereby ratifies and confirms all that said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of March 26, 2026.

<u>Signature</u>	<u>Title</u>
<u>/S/ PAUL K. VOIGT</u> Paul K. Voigt	Interim Chief Executive Officer
<u>/S/ MICHAEL J. SENA</u> Michael J. Sena	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/S/ AVRAM A. GLAZER</u> Avram A. Glazer	Director
<u>/S/ WARREN H. GFELLER</u> Warren H. Gfeller	Director
<u>/S/ BRIAN S. GOLDSTEIN</u> Brian S. Goldstein	Director
<u>/S/ AMY WILKINSON</u> Amy Wilkinson	Director

INNOVATE CORP.

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
INNOVATE Corp.
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of INNOVATE Corp. (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive loss, stockholders’ deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has significant upcoming maturities of its debt obligations and is subject to certain cross-default provisions. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - Estimated Costs to Complete for the Infrastructure Segment

As described in Note 3 to the consolidated financial statements, revenue for the Company's Infrastructure Segment ("DBMG") was approximately \$1.21 billion for the year ended December 31, 2025. DBMG performs its services primarily under fixed-price contracts and recognizes revenue over time using the input method to measure progress for its projects. The most reliable measure of progress is the cost incurred towards delivery of the completed project. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

We identified the estimate of certain costs to be incurred towards delivery of projects for specific revenue contracts at DBMG as a critical audit matter. Estimating future direct materials, direct labor, and subcontractor costs included in the measurement of progress of projects for specific revenue contracts at DBMG required significant management judgment. Auditing these elements involved especially challenging auditor judgment in evaluating the reasonableness of the estimated direct materials, labor, and subcontractor costs over the duration of these contracts.

The primary procedures we performed to address this critical audit matter included assessing the reasonableness of the estimated direct materials, direct labor, and subcontractor costs included in the measurement of the progress of projects for specific revenue contracts at DBMG through:

- Evaluating the reasonableness of project budgets for specific revenue contracts through (i) performing gross margin analysis using subsequently available information, and (ii) for a sample of cost of sales transactions, verifying the related cost types are included in the project's budget.
- Assessing the reasonableness of revisions in the estimated direct materials, direct labor, and subcontractor costs and investigating reasons for changes in expected costs and project margins.
- Evaluating the reasonableness of project cost estimates to complete by performing inquiries of project management personnel and assessing the nature of activities required to complete open projects.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2011.

New York, New York
March 26, 2026

INNOVATE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except shares and per share amounts)

	Year Ended December 31,	
	2025	2024
Revenue	\$ 1,246.0	\$ 1,107.1
Cost of revenue	1,046.3	898.3
Gross profit	199.7	208.8
Operating expenses:		
Selling, general and administrative	153.1	160.2
Depreciation and amortization	17.5	17.6
Other operating loss (income)	0.4	(9.0)
Income from operations	28.7	40.0
Other (expense) income:		
Interest expense	(89.0)	(74.5)
Loss from equity investees	(5.9)	(2.3)
Other income, net	4.7	3.4
Loss from operations before income taxes	(61.5)	(33.4)
Income tax expense	(2.5)	(6.3)
Net loss	(64.0)	(39.7)
Net loss attributable to non-controlling interests and redeemable non-controlling interests	3.4	5.1
Net loss attributable to INNOVATE Corp.	(60.6)	(34.6)
Less: Preferred stock dividends	3.4	1.2
Net loss attributable to common stockholders and participating preferred stockholders	\$ (64.0)	\$ (35.8)
Loss per common share - basic and diluted	\$ (4.84)	\$ (3.08)
Weighted-average common shares outstanding - basic and diluted	13,217,593	10,696,274

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

INNOVATE CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Year Ended December 31,	
	2025	2024
Net loss	\$ (64.0)	\$ (39.7)
Other comprehensive income (loss)		
Foreign currency translation adjustment, net of tax	1.2	(2.3)
Other comprehensive income (loss)	\$ 1.2	\$ (2.3)
Comprehensive loss	(62.8)	(42.0)
Comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests	3.3	5.3
Comprehensive loss attributable to INNOVATE Corp.	\$ (59.5)	\$ (36.7)

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

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

	December 31,	
	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 112.1	\$ 48.8
Accounts receivable, net	241.1	194.0
Contract assets	64.1	106.3
Inventory	16.0	20.8
Other current assets	18.2	21.0
Total current assets	451.5	390.9
Investments	1.8	3.6
Deferred tax asset	2.0	1.6
Property, plant and equipment, net	141.8	133.6
Goodwill	127.0	126.7
Intangibles, net	165.2	172.4
Other assets	60.8	62.3
Total assets	\$ 950.1	\$ 891.1
Liabilities, temporary equity and stockholders' deficit		
Current liabilities		
Accounts payable	\$ 141.4	\$ 84.8
Accrued liabilities	122.5	109.7
Current portion of debt obligations	581.4	162.2
Contract liabilities	171.9	109.1
Other current liabilities	16.9	17.2
Total current liabilities	1,034.1	483.0
Deferred tax liability	4.7	4.4
Debt obligations	80.3	500.6
Other liabilities	46.3	46.8
Total liabilities	1,165.4	1,034.8
Commitments and contingencies (Note 13)		
Temporary equity		
Preferred Stock Series A-3 and Preferred Stock Series A-4, \$0.001 par value	9.3	16.1
Shares authorized: 20,000,000; Shares issued and outstanding: 6,125 and 6,125 of Series A-3; 1,937 and 10,000 of Series A-4, respectively.		
Redeemable non-controlling interests	1.6	(0.5)
Total temporary equity	10.9	15.6
Stockholders' deficit		
Common stock, \$0.001 par value	—	—
Shares authorized: 250,000,000		
Shares issued: 13,818,904 and 13,410,179, respectively		
Shares outstanding: 13,655,062 and 13,261,379, respectively		
Additional paid-in capital	350.1	350.1
Treasury stock, at cost: 163,842 and 148,800 shares, respectively	(5.6)	(5.4)
Accumulated deficit	(582.5)	(521.9)
Accumulated other comprehensive loss	(2.1)	(3.2)
Total INNOVATE Corp. stockholders' deficit	(240.1)	(180.4)
Non-controlling interests	13.9	21.1
Total stockholders' deficit	(226.2)	(159.3)
Total liabilities, temporary equity and stockholders' deficit	\$ 950.1	\$ 891.1

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

INNOVATE CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in millions, except share amounts)

	Temporary Equity Preferred Stock and Redeemable Non- Controlling Interests	Stockholders' (Deficit) Equity								
		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Comprehensive Income (Loss) (a)	Total INNOVATE Stockholders' (Deficit) Equity	Non- Controlling Interests	Total Stockholders' (Deficit) Equity
		Shares (thousands)	Amount							
Balance as of December 31, 2023	\$ 15.4	7,923.5	\$ —	\$ 328.3	\$ (5.4)	\$ (487.3)	\$ (1.1)	\$ (165.5)	\$ 13.8	\$ (151.7)
Share-based compensation	—	—	—	3.4	—	—	—	3.4	—	3.4
Preferred stock dividends	(0.3)	—	—	(1.2)	—	—	—	(1.2)	—	(1.2)
Issuance of common stock	—	224.8	—	—	—	—	—	—	—	—
Issuance of preferred stock in private placement	31.3	—	—	—	—	—	—	—	—	—
Rights offering, net of transaction costs	—	530.6	—	1.9	—	—	—	1.9	—	1.9
Series C Preferred Share Conversion	(31.3)	4,469.4	—	31.3	—	—	—	31.3	—	31.3
Reverse stock split	—	113.1	—	—	—	—	—	—	—	—
Effect of Series D investment in R2 Technologies	1.1	—	—	(13.2)	—	—	—	(13.2)	12.1	(1.1)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(0.3)	(0.3)
Transactions with non-controlling interests	—	—	—	(0.4)	—	—	—	(0.4)	0.2	(0.2)
Net loss	(0.6)	—	—	—	—	(34.6)	—	(34.6)	(4.5)	(39.1)
Other comprehensive loss	—	—	—	—	—	—	(2.1)	(2.1)	(0.2)	(2.3)
Balance as of December 31, 2024	\$ 15.6	13,261.4	\$ —	\$ 350.1	\$ (5.4)	\$ (521.9)	\$ (3.2)	\$ (180.4)	\$ 21.1	\$ (159.3)
Share-based compensation	—	—	—	2.7	—	—	—	2.7	—	2.7
Shares withheld to satisfy tax withholdings	—	(15.1)	—	—	(0.2)	—	—	(0.2)	—	(0.2)
Dividends	2.2	—	—	(3.4)	—	—	—	(3.4)	(1.6)	(5.0)
Issuance of common stock, net of forfeitures	—	408.8	—	—	—	—	—	—	—	—
Exchange of preferred stock for debt	(9.1)	—	—	—	—	—	—	—	—	—
Transactions with non-controlling interests and redeemable non-controlling interests	2.9	—	—	0.2	—	—	—	0.2	(3.0)	(2.8)
Other	—	—	—	0.5	—	—	—	0.5	—	0.5
Net loss	(0.7)	—	—	—	—	(60.6)	—	(60.6)	(2.7)	(63.3)
Other comprehensive income	—	—	—	—	—	—	1.1	1.1	0.1	1.2
Balance as of December 31, 2025	\$ 10.9	13,655.1	\$ —	\$ 350.1	\$ (5.6)	\$ (582.5)	\$ (2.1)	\$ (240.1)	\$ 13.9	\$ (226.2)

(a) Inclusive of other comprehensive income (loss), foreign currency cumulative translation adjustments totaled a loss of \$3.3 million and \$4.5 million as of December 31, 2025 and 2024, respectively.

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

INNOVATE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,	
	2025	2024
Cash flows from operating activities		
Net loss	\$ (64.0)	\$ (39.7)
Adjustments to reconcile net loss to cash provided by operating activities		
Share-based compensation expense	2.7	3.4
Depreciation and amortization (including amounts in cost of revenue)	30.4	32.9
Amortization of deferred financing costs and debt discount	23.7	7.7
Net loss on extinguishment or repurchase of debt	0.3	0.3
Loss from equity investees	5.9	2.3
Gains on lease modifications	(0.1)	(8.7)
(Gains) losses on investments	(5.2)	0.2
Asset impairment expense	—	0.1
Deferred income tax (benefit) expense	(0.1)	0.5
Other operating activities, net	1.8	(2.0)
Changes in assets and liabilities:		
Accounts receivable	(48.7)	91.8
Contract assets	42.2	12.3
Other current assets	(2.9)	(0.1)
Inventory	4.8	1.9
Other assets	12.3	8.4
Accounts payable	57.1	(57.2)
Accrued liabilities	37.6	12.2
Contract liabilities	62.8	(44.4)
Other current liabilities	(0.3)	2.1
Other liabilities	(13.7)	(14.9)
Cash provided by operating activities	146.6	9.1
Cash flows from investing activities		
Purchase of property, plant and equipment	(26.1)	(19.0)
Proceeds from disposal of property, plant and equipment	1.4	10.1
Loans to equity method investee	—	(2.3)
Purchase of investments	(0.3)	(2.0)
Proceeds from sale of investments	2.9	—
Cash paid for asset acquisitions	(0.5)	(1.2)
Other investing activities	—	0.5
Cash used in investing activities	(22.6)	(13.9)
Cash flows from financing activities		
Proceeds from rights offering and private placement, net of issuance costs	—	33.2
Proceeds from lines of credit, net of deferred financing costs	85.9	70.0
Payments on lines of credit	(116.8)	(125.0)
Proceeds from other debt obligations, net of deferred financing costs	21.3	25.0
Principal payments for and repurchases of other debt obligations	(48.7)	(28.0)
Deferred financing costs paid to third parties	(0.5)	(0.2)
Payments to non-controlling interests related to former sale of equity method investment	—	(0.3)
Dividend payments	(2.2)	(1.2)
Other financing activities	(0.2)	—
Cash used in financing activities	(61.2)	(26.5)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	0.6	(1.7)
Net increase (decrease) in cash and cash equivalents, including restricted cash	63.4	(33.0)
Cash, cash equivalents and restricted cash, beginning of year	49.3	82.3
Cash, cash equivalents and restricted cash, end of year	\$ 112.7	\$ 49.3

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

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

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. The Company seeks 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 New York Stock Exchange ("NYSE") under the symbol "VATE".

The Company has three reportable segments, plus the Company's 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. The Company's 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, a division of Schuff Steel Company, DBMG provides full-service fabricated structural steel and erection services primarily for the U.S. East Coast and Southeast commercial and industrial construction markets, in addition to full design-assist services. The Company maintains a 91.2% controlling interest in DBMG.

2. The Company's Life Sciences segment is comprised of Pansend Life Sciences, LLC ("Pansend"), its subsidiaries and its equity investments. Pansend maintains a controlling interest of 80.0% in Genovel Orthopedics, Inc. ("Genovel"), which seeks to develop products to treat early osteoarthritis of the knee, and also has a controlling interest as of December 31, 2025 of 81.0% (81.4% as of December 31, 2024) in R2 Technologies, Inc. ("R2 Technologies"), which develops aesthetic and medical technologies for the skin. Pansend also invests in other early stage or developmental stage healthcare companies and, as of December 31, 2025, had a 44.6% interest (45.9% as of December 31, 2024) 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, maintained a 1.6% fully diluted interest in Triple Ring Technologies, Inc. ("Triple Ring"), a science and technology co-development company, and maintained 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. The Company's Spectrum segment is comprised of HC2 Broadcasting Holdings Inc. ("Broadcasting" or "HC2B") and its subsidiaries. Broadcasting strategically acquires and operates over-the-air broadcasting stations across the United States. The Company maintains a 98.0% controlling interest in Broadcasting and maintains a controlling interest of approximately 69.2%, inclusive of 2.8% proxy rights from minority holders of DTV America Corporation ("DTV"). On a fully diluted basis, the Company would have an 85.8% controlling interest in Broadcasting.

4. The Company's Other segment represents all other businesses or investments that do not meet the definition of a segment individually or in the aggregate. The Other segment primarily includes legacy businesses or holding companies such as the holding company of the Company's former Marine Services segment, Global Marine Holdings, LLC ("GMH") in which the Company had a 72.8% controlling interest until its dissolution on December 13, 2024, and TIC Holdco, Inc. ("TIC"), which was dissolved on May 23, 2024.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying 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

The accompanying 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 prior amounts have been reclassified or combined to conform to the current year presentation.

Liquidity and Going Concern

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, as of the date of these financial statements, there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The principal conditions leading to this conclusion are the upcoming maturities of the Company's debt obligations. Based on these conditions, the Company may not be able to meet its obligations at maturity nor comply with certain cross-default provisions under the 2027 Senior Secured Notes over the next twelve months, or any potential breach of the milestone covenant of the 10.50% 2027 Senior Secured Notes Indenture which has required the Company to commence a sales process for all or substantially all of DBM Global's assets or equity interests in accordance with certain dates and deadlines. Refer to Note 11. Debt Obligations for additional information.

Management has evaluated the significance of these conditions in relation to the Company's ability to meet its obligations. The potential inability to refinance or extend the maturity of the aforementioned current debt, or to obtain additional financing, raises substantial doubt about the Company's ability to continue as a going concern.

The Company plans to alleviate these conditions through various initiatives it is currently exploring, including pursuing asset sales, and potentially refinancing debt and raising additional capital. However, there can be no assurance that the Company will have the ability to be successful in any asset sales, additional capital raises or the refinancing of its existing debt, on attractive terms or at all, nor any assurances that lenders will provide additional extensions, waivers or amendments in the event of future non-compliance with the Company's debt covenants or other possible events of default. Further, there can be no assurance that the Company will be able to execute a reduction, extension, or refinancing of the debt, or that the terms of any replacement financing would be as favorable as the terms of the debt prior to the maturity dates. There can be no assurance that these plans will be successfully implemented or that they will mitigate the conditions that raise substantial doubt about the Company's ability to continue as a going concern.

These Consolidated Financial Statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, or expenses that may result if the Company is unable to continue as a going concern.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and various disclosures within these consolidated financial statements as of the date of the consolidated financial statements and the reported amounts of net revenue and expenses during the reporting period. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. Significant estimates include the recognition of revenue and project profit or loss, which require estimates regarding the extent of progress towards completion on contracts and contract revenue and costs on long-term contracts; allowances for credit losses; fair value estimates, including the valuation of certain investments, market assumptions used in estimating the fair values of certain assets (including goodwill and intangibles) and liabilities, the calculation used in determining the fair value of equity awards required by ASC 718, *Compensation - Stock Compensation* ("ASC 718"); income taxes and various other contingencies.

Estimates of fair value represent the Company's best estimates developed with the assistance of independent appraisals or various valuation techniques and, where the foregoing have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are comprised principally of amounts in interest bearing checking accounts and money market accounts with original maturities of three months or less. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents. The Company maintains its current cash with financial institutions with balances that may exceed federally insured limits. Cash and cash equivalents are maintained at financial institutions that management considers to be of high credit quality.

The Company's restricted cash balances consist of funds that are contractually or legally restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents in the Consolidated Balance Sheets in the Other current assets and Other assets (noncurrent), as applicable, and are primarily comprised of security deposits for long-term leases, which are held in separate bank accounts.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.
- Level 3 - Unobservable inputs that are supported by little or no market activities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The Company's assets and liabilities that are measured at fair value on a recurring basis included investment(s) in marketable equity securities. Our financial assets measured at fair value on a non-recurring basis include equity securities without readily determinable fair values. Other financial assets and liabilities are carried at cost (initial fair value) or amortized cost where applicable, with the current fair value disclosed, if required.

Allowance for Credit Losses

The Company maintains allowances for credit losses, for its financial assets, primarily for accounts receivable and contract assets, in accordance with Accounting Standards Codification ("ASC") *Financial Instruments - Credit Losses (Topic 326)*. Accounts receivable are stated at amounts due from customers net of allowance for expected credit losses. The measurement and recognition of the allowance for credit losses involves the use of judgment and represents management's estimate of expected lifetime credit losses based on historical experience and trends, current conditions and reasonable and supportable forecasts. Any changes in these assumptions can lead to a change in the estimate. Management's assessment of expected credit losses includes consideration of current and expected economic, market and industry factors affecting the Company's customers, including their financial condition and other factors affecting their ability to pay; the aging of account balances; historical credit loss experience; customer concentrations; and customer credit-worthiness; among other factors.

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. At each balance sheet date, all past due or potentially uncollectible accounts are assessed individually for the purpose of determining the appropriate allowance for credit losses. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made and the receivable is written off against the allowance, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate.

Subsequent to year end, on January 1, 2026, the Company adopted ASU 2025-05 and is utilizing the practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 (*Revenue from Contracts with Customers*). See the *Accounting Pronouncements Issued But Pending Adoption* section below for additional information.

Inventory

Inventory, which is primarily composed of steel components for construction projects at DBM, is valued at the lower of cost or net realizable value under the first-in, first-out method. Provision for obsolescence is made where appropriate and is charged to cost of revenue in the Consolidated Statements of Operations. These costs include only direct labor and expenses incurred to date and exclude any allocation of overhead. The policy for long-term work in progress contracts is disclosed within the *Revenue and Cost Recognition* accounting policy in Note 3. Revenue and Contracts in Process.

Investments

The Company utilizes the equity method to account for investments when it possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor possesses more than 20% of the voting interests of the investee, such as with our investments in MediBeacon and Scaled Cell, of which the Company owns a 44.6% interest in MediBeacon and a 20.1% interest in Scaled Cell as of December 31, 2025. This presumption may be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. The Company applies the equity method to investments in common stock and to other investments when such other investments possess substantially identical subordinated interests to common stock. In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying amount of the investment by its proportionate share of the net earnings or losses and other comprehensive income (loss) of the investee, as well as any changes as a result of changes in ownership. In the event that net losses of the investee reduce the carrying amount to zero, additional net losses may be recorded if other investments in the investee are at-risk, even if the Company has not committed to provide financial support to the investee. Such additional equity method losses, if any, are based upon the change in the Company's claim on the investee's book value.

Investments in marketable equity securities are carried at fair value and the Company records the changes in fair values in the Consolidated Statement of Operations as a component of Other income, net. The Company utilizes the measurement alternative method to account for investments when it does not possess the ability to exercise significant influence or control and the investment does not have a readily determinable fair value. Under this method, investments are initially recognized at cost and subsequently measured at cost, adjusted for any observable changes in the fair value of the investment. In addition, the Company reviews the carrying value of investments measured under the measurement alternative for impairment on a regular basis. If there is an indication of impairment, the Company assesses whether the carrying value of the investment exceeds its recoverable amount. Any impairment losses are recognized in the financial statements.

The Company's investments are recorded as a separate line in the Company's Consolidated Balance Sheets. Income or loss from equity method investments is recorded as a separate line item in the Consolidated Statements of Operations. Changes in the fair value of equity securities and impairments recognized for measurement alternative method investments, if any, are recorded within Other income, net in the Consolidated Statements of Operations.

Accounting for Income Taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between the book basis and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. If necessary, deferred tax assets are reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable. The determination of the valuation allowance requires management to make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount of the valuation allowance. The additional guidance provided by ASC No. 740, "Income Taxes" ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements. Expected outcomes of current or anticipated tax examinations, refund claims and tax-related litigation and estimates regarding additional tax liability (including interest and penalties thereon) or refunds resulting therefrom will be recorded based on the guidance provided by ASC 740 to the extent applicable.

The tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations.

At December 31, 2025, the Company's U.S. and foreign companies had significant deferred tax assets primarily attributable to tax loss carryforwards. Deferred tax assets generated by certain businesses that are not included in the INNOVATE Corp. U.S. consolidated income tax return have been reduced by a full valuation allowance. Based on evaluation of available positive and negative evidence, management had determined that it was more likely than not that the net deferred tax assets of the INNOVATE Corp. U.S. consolidated filing group will not be realized. Accordingly, a full valuation allowance was maintained against the INNOVATE Corp. U.S. consolidated filing group's net deferred tax assets as of December 31, 2025. This assessment was based on cumulative historical losses and management's assumptions regarding future taxable income of each affiliate and the timing of the reversal of deferred tax assets and liabilities.

In relation to tax effects for accumulated other comprehensive income ("OCI"), our policy is to release the tax effects of amounts reclassified from accumulated OCI to pre-tax income (loss) from continuing operations. Any remaining tax effect in accumulated OCI is released following a portfolio approach.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided on the straight-line method over the estimated useful lives of the assets, which are regularly evaluated. The estimated useful lives of the assets range from 5 to 40 years for buildings and leasehold improvements, 3 to 15 years for equipment, furniture and fixtures, and 3 to 20 years for transportation equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. Assets under construction are not depreciated until they are complete and available for use. Land is not depreciated.

Purchased property and equipment is recorded at cost, or, if acquired in a business combination, at the acquisition date fair value. Cost includes the original purchase price of the asset, the costs attributable to bringing the asset to its working condition for its intended use and finance costs incurred prior to the asset being available for use, as well as any subsequent major expenditures for improvements and replacements which extend useful lives or increase capacity of the assets. Expenditures for maintenance and repairs are expensed as incurred. Finance lease assets are recognized based on the present value of minimum future lease payments.

Costs for internal-use software that are incurred in the preliminary project stage and in the post-implementation stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software, beginning when the software project is ready for its intended use, over the estimated useful life of the software, typically 3 years.

When assets are sold or otherwise retired, the costs and accumulated amortization and depreciation are removed from the books and the resulting gain or loss is included in operating results. Property, plant and equipment that have been included as part of the assets held-for-sale are no longer amortized or depreciated from the time that they are classified as such. The Company periodically utilizes a qualitative assessment to evaluate whether it is more likely than not that the fair value of its property, plant and equipment is less than its carrying value, and, if so, quantitatively evaluates the carrying value of its property, plant and equipment based upon the estimated cash flows to be generated by the related assets. If an impairment is indicated, a loss is recognized.

Acquisitions

The Company accounts for acquisitions using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Estimates of fair value included in the Consolidated Financial Statements represent the Company's best estimates and valuations developed, when needed, with the assistance of independent appraisers or, where such valuations have not yet been completed or are not available, industry data and trends and by reference to relevant market rates and transactions. Such estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

Goodwill and Other Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but, rather, tested for impairment. The Company tests goodwill for impairment at least annually in the fourth quarter (October 1st) or when factors indicate that the carrying amounts of assets may not be recoverable and there is a potential impairment. The factors that management considers important, and which could trigger an impairment review, include, but are not limited to: a more likely than not expectation of selling or disposing all, or a portion, of a reporting unit; a significant decline in the market value of the Company's common stock or debt securities for a sustained period; a material adverse change in economic, financial market, industry or sector trends; a material failure to achieve operating results relative to historical levels or projected future levels; and significant changes in operations or business strategy.

The Company elected to utilize a qualitative assessment to evaluate whether it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is less than its carrying value, and if so, a quantitative test is performed. The quantitative evaluation for impairment of indefinite-lived intangibles consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to the excess.

Under the quantitative test, management estimates the fair value of a reporting unit, which requires various assumptions including projections of future cash flows, perpetual growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our assessment of a number of factors, including the reporting unit's recent performance against budget, performance in the market that the reporting unit serves, and industry and general economic data from third-party sources. Discount rate assumptions are based on an assessment of the risk inherent in those future cash flows. Changes to the underlying businesses could affect the future cash flows, which in turn could affect the fair value of the reporting unit. Further, management assesses the current market capitalization, forecasts and the amount by which the fair values exceeded the carrying values. If the carrying amount of the reporting unit exceeds the fair value, an impairment loss shall be recognized in an amount equal to the excess.

Based on qualitative assessments performed as of October 1, 2025, management determined it was more likely than not that the fair value of its reporting units and the fair value of the indefinite-lived intangible assets exceeded their carrying values, and, as such, no impairment was required.

Intangible assets not subject to amortization (i.e. indefinite-lived intangibles) consist of certain television broadcast licenses. Intangible assets subject to amortization consists of certain trade names, customer contracts and developed technology. These finite-lived intangible assets are amortized based on their estimated useful lives. Impairment on such assets is recognized and measured only if there are events and circumstances that indicate that the carrying amount may not be recoverable. The amount of impairment of other long-lived assets (excluding goodwill) is calculated as the amount by which the carrying value of the asset exceeds the fair market value of the asset, which is generally determined based on projected discounted future cash flows. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset group. An impairment loss is recorded to the extent the carrying amount of the asset or asset group exceeds the fair value and is not recoverable.

Licensing: Television broadcast licenses generally are granted for eight-year periods. They are renewable after application and reviewed by the Federal Communications Commission ("FCC") and historically are renewed except in rare cases in which a petition to deny, a complaint or an adverse finding as to the licensee's qualifications results in loss of the license.

As of December 31, 2025, the Company has initiated processes to explore strategic alternatives for potential asset sales. Management considered whether these actions represented an indicator of impairment. Based on the information available as of December 31, 2025, management concluded it was not more likely than not that the estimated fair value of the applicable reporting unit(s) was less than its carrying value. Management will continue to monitor events and circumstances related to the sales processes and will perform interim impairment testing if facts and circumstances change that would indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Valuation of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. In the event of such conditions, the Company compares the expected undiscounted future cash flows to the carrying amount of the assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of the assets, the Company is required to make estimates of the fair value of the long-lived assets in order to calculate the impairment loss equal to the difference between the fair value and carrying value of the assets.

The Company makes significant assumptions and estimates in this process regarding matters that are inherently uncertain, such as determining asset groups and estimating future cash flows, remaining useful lives, discount rates and growth rates. The resulting undiscounted cash flows are projected over an extended period of time, which subjects those assumptions and estimates to an even larger degree of uncertainty. While the Company believes that its estimates are reasonable, different assumptions could materially affect the valuation of the long-lived assets. The Company derives future cash flow estimates from its historical experience and its internal business plans, which include consideration of industry trends, competitive actions, technology changes, regulatory actions, available financial resources for marketing and capital expenditures and changes in its underlying cost structure.

The Company makes assumptions about the remaining useful life of its long-lived assets. The assumptions are based on the average life of its historical capital asset additions and its historical asset purchase trend. In some cases, due to the nature of a particular industry in which the company operates, such as the broadcast or infrastructure industry, the Company may assume that technology changes in such industry render all associated assets, including equipment, obsolete with no salvage value after their useful lives. In certain circumstances in which the underlying assets could be leased for an additional period of time or salvaged, the Company includes such estimated cash flows in its estimate.

The estimate of the appropriate discount rate to be used to apply the present value model in determining fair value was the Company's weighted-average cost of capital which is based on the effective rate of its debt obligations at the current market values (for periods during which the Company had debt obligations) as well as the current volatility and trading value of the Company's common stock.

Leases

The Company accounts for leases on the balance sheet as lease assets and lease liabilities for leases classified as operating leases and finance leases. The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets are included in Other Assets, and operating lease liabilities are included in Other current liabilities and Other liabilities (non-current) as applicable in the Consolidated Balance Sheets for their respective short-term and long-term portions and are recognized based on the present value of lease payments over the lease term at the commencement date. Finance leases are included in property, plant and equipment and debt obligations in the Consolidated Balance Sheets and are recognized based on the present value of lease payments over the lease term at commencement date. The majority of the Company's leases do not provide an implicit rate of return; therefore, the Company uses its incremental borrowing rate at commencement date in determining the present value of lease payments. The incremental borrowing rate represents the rate of interest that would be paid to borrow on a collateralized basis over a similar term. The Company determines its incremental borrowing rate using a portfolio approach based on information available as of the lease commencement date, including applicable lease terms and the current economic environment. For lease agreements that contain non-lease components, the Company elected to combine lease and non-lease components as a single lease component.

Leases with an initial term of twelve months or less are not recorded on the balance sheet unless they are expected to be renewed. Lease expense is recognized on a straight-line basis over the lease term. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. As of December 31, 2025, the operating lease liability does not include any options to extend or terminate leases.

Foreign Currency Transactions

Foreign currency transactions are transactions denominated in a currency other than a subsidiary's functional currency. A change in the exchange rates between a subsidiary's functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in functional currency cash flows, which occurs upon an actual transfer of one currency to another, is reported by the Company as a foreign currency transaction gain (loss). The primary component of the Company's foreign currency transaction gain (loss) is due to agreements in place with certain subsidiaries in foreign countries regarding intercompany transactions. The Company anticipates repayment of these transactions in the foreseeable future and recognizes the realized and unrealized gains or losses on these transactions that result from foreign currency changes in the period in which they occur as foreign currency transaction gain (loss).

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries are translated at the exchange rates in effect on the reporting date. Income and expenses are translated at the average exchange rate during the period. The net effect of such translation gains and losses are reflected within AOCI in the stockholders' equity (deficit) section of the Consolidated Balance Sheets. If there is a planned or completed sale or liquidation of the Company's ownership in a foreign operation, the relevant foreign currency translation adjustment is recognized in the Consolidated Statement of Operations.

In these consolidated financial statements, "\$" means U.S. dollars, unless otherwise noted.

Convertible Instruments

Convertible instruments are generally accounted for as a single unit of account. ASC 815 requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodied both the embedded derivative instrument and the host contract is not remeasured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The Company accounts for convertible instruments, when it has been determined that the embedded conversion options should not be bifurcated from their host instruments, as follows: the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized using the effective interest method over the term of the related debt to their stated date of redemption as a component of Interest expense in the Consolidated Statement of Operations.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its debt and line of credit obligations as reductions of the outstanding loan balances as a component of the carrying amount of Debt obligations in the Consolidated Balance Sheet and amortizes them using the effective interest method over the term of the respective debt agreement as a component of Interest expense in the Consolidated Statements of Operations. If the Company extinguishes portions of its debt prior to the maturity date, deferred financing costs are charged to expense on a pro-rata basis and are included in gain or loss on early extinguishment or restructuring of debt within Other income, net in the Consolidated Statements of Operations.

Share-Based Compensation

Share-based compensation includes restricted shares, restricted stock units and stock options, which are measured based on the grant date fair values and are recognized on a straight-line basis over the requisite service or vesting period. Non-cash stock-based compensation expense is included within general and administrative expense in the consolidated statements of operations.

Grants of restricted shares and restricted stock units are valued based on the closing market share price of INNOVATE's common stock as reported on the New York Stock Exchange (the "market price") on the date of grant. The Company uses a Black-Scholes option valuation model to determine the grant date fair value of stock options. The Black-Scholes model incorporates various assumptions including the expected term of awards, volatility of stock price, risk-free rates of return and dividend yield. The expected term of an award is no less than the option vesting period and is based on the Company's historical experience. Expected volatility is based upon the historical volatility of the Company's stock price. The risk-free interest rate is approximated using rates available on U.S. Treasury securities with a remaining term similar to the option's expected life. The Company uses a dividend yield of zero in the Black-Scholes option valuation model as it does not anticipate paying cash dividends in the foreseeable future. Share-based compensation is recorded net of actual forfeitures as they occur.

Income (Loss) Per Common Share

Basic income (loss) per common share is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted income (loss) per common share is computed using the weighted-average number of shares of common stock, adjusted for the dilutive effect of potential common stock equivalents and related income from continuing operations, net of tax. Potential common stock equivalents, computed using the treasury stock method or the if-converted method, include stock options, restricted stock units, convertible preferred stock and convertible debt. Refer to Note 19. Basic and Diluted Loss Per Common Share for additional information.

Discontinued Operations

In accordance with ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*, the Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results when the business is disposed of or classified as held-for-sale. The held-for-sale criteria are assessed as of the balance sheet date. The Company assessed these criteria as of December 31, 2025, and determined that no businesses met the criteria for held-for-sale or discontinued operations classification. Under ASC 360, Property, Plant and Equipment, assets may be classified as held-for-sale even though the discontinued operations criterion is not met.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted in the Current Year

On December 14, 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires, among other things, greater disaggregation of information in the rate reconciliation and for paid income taxes to be disaggregated by jurisdiction. The guidance was effective for the Company's 2025 annual Form 10-K and did not have a material impact on the related disclosures within these Consolidated Financial Statements. Refer to Note 12. Income Taxes for additional information.

Accounting Pronouncements Issued But Pending Adoption

On September 18, 2025, the FASB issued ASU 2025-06 *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* ("ASU 2025-06"). The amendments in ASU 2025-06 modernize the accounting for software costs that are accounted for under Subtopic 350-40 by removing all references to prescriptive and sequential software development stages throughout Subtopic 350-40. Under ASU 2025-06, an entity is required to start capitalizing software costs when management has authorized and committed to funding the software project and it is probable the project will be completed and the software will be used to perform the function intended (referred to as the "probable-to-complete recognition threshold"). ASU 2025-06 is effective for fiscal years beginning after December 15, 2027, and interim periods within those annual reporting periods. Entities may apply the amendments retrospectively for all prior periods presented in the financial statements, prospectively or under a modified retrospective approach based on the status of the project and whether software costs were capitalized before the date of adoption. The Company expects that it will apply the new guidance prospectively and is currently evaluating the potential effect of this ASU on future transactions; however, the Company does not expect this ASU to have a significant effect on the Company's Consolidated Financial Statements.

On July 30, 2025, the FASB issued ASU 2025-05 *Financial Instruments - Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"). The amendments in ASU 2025-05 provide entities with a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 (*Revenue from Contracts with Customers*). The practical expedient allows entities to assume that current conditions as of the balance sheet date will not change for the remaining life of an asset when developing reasonable and supportable forecasts as part of the estimation of expected credit losses. ASU 2025-05 is effective prospectively for fiscal years beginning after December 15, 2025, and interim periods within those annual reporting periods. The Company adopted ASU 2025-05 on January 1, 2026, and is utilizing the practical expedient. The Company does not expect the adoption of this ASU to have a significant effect on the Company's Consolidated Financial Statements.

On May 12, 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a VIE* ("ASU 2025-03"). The amendments in ASU 2025-03 require an entity, involved in an acquisition transaction effected primarily by exchanging equity interests when the legal acquiree is a VIE that meets the definition of a business, to consider certain factors to determine which entity is the accounting acquirer. ASU 2025-03 is effective prospectively for fiscal years beginning after December 15, 2026, and interim periods within those annual reporting periods. The Company is currently evaluating the potential effect of this ASU on future transactions; however, the Company does not expect this ASU to have a material effect on the Company's Consolidated Financial Statements.

On November 26, 2024, the FASB issued ASU 2024-04, *Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments* ("ASU 2024-04"). The amendments in this update affect entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion. The amendments clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. ASU 2024-04 is effective for fiscal years beginning after December 15, 2025, and interim periods within those annual reporting periods. Entities may apply the amendments retrospectively for all prior periods presented in the financial statements or prospectively. The Company adopted ASU 2024-04 on January 1, 2026 and is applying the guidance on a prospective basis. The adoption of this ASU did not have an effect on the Company's Consolidated Financial Statements.

On November 4, 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"). The amendments in this ASU require disclosure, in the notes to financial statements, of specified information about certain costs and expenses, including the total amount of selling expenses incurred in the period and an entity's definition of selling expenses. ASU 2024-03, with effective dates as clarified by ASU 2025-01 *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*, is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating this ASU, which will only have an effect on the disclosures within the Company's Consolidated Financial 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 22. Subsequent Events.

3. Revenue and Contracts in Process

ASC 606 aligns revenue recognition with the timing of when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps in accordance with ASC 606:

Identify the contract with a customer

A contract with a customer exists when: (a) the parties have approved the contract and are committed to perform their respective obligations, (b) the rights of the parties can be identified, (c) payment terms can be identified, (d) the arrangement has commercial substance, and (e) collectability of consideration is probable. Judgment is required when determining if the contractual criteria are met, specifically in the earlier stages of a project when a formally executed contract may not yet exist. In these situations, the Company evaluates all relevant facts and circumstances, including the existence of other forms of documentation or historical experience with our customers that may indicate a contractual agreement is in place and revenue should be recognized. In determining if the collectability of consideration is probable, the Company considers the customer's ability and intention to pay such consideration through an evaluation of several factors, including an assessment of the creditworthiness of the customer and our prior collection history with such customer.

Identify the performance obligations in the contract

At contract inception, the Company assesses the goods or services promised in a contract and identifies, as a separate performance obligation, each distinct promise to transfer goods or services to the customer. The identified performance obligations represent the "unit of account" for purposes of determining revenue recognition. In order to properly identify separate performance obligations, the Company applies judgment in determining whether each good or service provided is: (a) capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and (b) distinct within the context of the contract, whereby the transfer of the good or service to the customer is separately identifiable from other promises in the contract.

In addition, when assessing performance obligations within a contract, the Company considers the warranty provisions included within such contract. To the extent the warranty terms provide the customer with an additional service, other than assurance that the promised good or service complies with agreed upon specifications, such warranty is accounted for as a separate performance obligation. In determining whether a warranty provides an additional service, the Company considers each warranty provision in comparison to warranty terms which are standard in the industry.

The Company accounts for product warranties in accordance with ASC 460, "Guarantees." At the time of sale, the Company recognizes a liability for the estimated future costs associated with warranty claims. The warranty liability is determined based on historical claim experience, product failure rates, and management's assessment of future warranty costs. Estimates are reviewed periodically and adjusted as necessary to reflect actual experience. Warranty costs are recorded as a component of cost of goods sold and the warranty liability is included in accrued expenses and other current liabilities on the consolidated balance sheet.

Determine the transaction price

The transaction price represents the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to our customers. The consideration promised within a contract may include fixed amounts, variable amounts, or both. To the extent the performance obligation includes variable consideration, including contract bonuses and penalties that can either increase or decrease the transaction price, the Company estimates the amount of variable consideration to be included in the transaction price utilizing one of two prescribed methods, depending on which method better predicts the amount of consideration to which the entity will be entitled. Such methods include: (a) the expected value method, whereby the amount of variable consideration to be recognized represents the sum of probability weighted amounts in a range of possible consideration amounts, and (b) the most likely amount method, whereby the amount of variable consideration to be recognized represents the single most likely amount in a range of possible consideration amounts. When applying these methods, the Company considers all information that is reasonably available, including historical, current and estimates of future performance.

Variable consideration is included in the transaction price only to the extent it is probable, in the Company's judgment, that a significant future reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This threshold is referred to as the variable consideration constraint. In assessing whether to apply the variable consideration constraint, the Company considers if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue, including, but not limited to, whether: (a) the amount of consideration is highly susceptible to factors outside of the Company's influence, such as the actions of third parties, (b) the uncertainty surrounding the amount of consideration is not expected to be resolved for a long period of time, (c) the Company's experience with similar types of contracts is limited or that experience has limited predictive value, (d) the Company has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances, and (e) the contract has a large number and broad range of possible consideration amounts.

Pending change orders represent one of the most common forms of variable consideration included within contract value and typically represent contract modifications for which a change in scope has been authorized or acknowledged by our customer, but the final adjustment to contract price is yet to be negotiated. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the customer regarding acknowledgment and/or agreement with the modification, as well as historical experience with the customer or similar contractual circumstances. Based upon this assessment, the Company estimates the transaction price, including whether the variable consideration constraint should be applied.

Changes in the estimates of transaction prices are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. Such changes in estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in prior periods. Such changes in estimates may also result in the reversal of previously recognized revenue if the ultimate outcome differs from the Company's previous estimate.

Allocate the transaction price to performance obligations in the contract

For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative stand-alone selling price. The Company determines the stand-alone selling price based on the price at which the performance obligation would have been sold separately in similar circumstances to similar customers. If the stand-alone selling price is not observable, the Company estimates the stand-alone selling price taking into account all available information such as market conditions and internal pricing guidelines. In certain circumstances, the stand-alone selling price is determined using an expected profit margin on anticipated costs related to the performance obligation.

Recognize revenue as performance obligations are satisfied

The Company recognizes revenue at the time the related performance obligation is satisfied by transferring a promised good or service to its customers. A good or service is considered to be transferred when the customer obtains control. The Company can transfer control of a good or service and satisfy its performance obligations either over time or at a point in time. The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if one of the following three criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs, (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or (c) the Company's performance does not create an asset with an alternative use to us, and the Company has an enforceable right to payment for performance completed to date. The Company has determined that one or more of these three criteria are met for such contracts.

For performance obligations satisfied over time, the Company recognizes revenue by measuring the progress toward complete satisfaction of that performance obligation. The selection of the method to measure progress towards completion can be either an input method or an output method and requires judgment based on the nature of the goods or services to be provided.

Presentation of Taxes Collected

The Company reports a value-added tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between the Company and a customer on a net basis (excluded from revenues).

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

	Year Ended December 31,	
	2025	2024
Infrastructure	\$ 1,210.3	\$ 1,071.6
Life Sciences	12.5	9.8
Spectrum	23.2	25.7
Total revenue	<u>\$ 1,246.0</u>	<u>\$ 1,107.1</u>

Accounts receivable, net, from contracts with customers consisted of the following (in millions):

	December 31,	
	2025	2024
Infrastructure	\$ 237.0	\$ 184.8
Life Sciences	1.8	1.5
Spectrum	1.7	1.9
Total accounts receivable with customers	<u>\$ 240.5</u>	<u>\$ 188.2</u>

As of January 1, 2024, accounts receivable, net, from contracts with customers totaled \$273.2 million.

Infrastructure Segment

DBMG performs its services primarily under fixed-price contracts and recognizes revenue over time using the input method to measure progress for its projects. The most reliable measure of progress is the cost incurred towards delivery of the completed project. Therefore, the input method provides the most reliable method to measure progress. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when DBMG and the customer or general contractor have agreed on both the scope and price of changes, the work has commenced, and that realization of revenue exceeding the costs is assured beyond a reasonable doubt. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Payment Terms

The timing of customer billings is generally dependent upon advance billing terms, milestone billings based on completion of certain phases of work, or when services are provided. Under the typical payment terms of master and other service agreements and fixed price contracts, the customer makes progress payments based on quantifiable measures of performance by the Company as defined by each specific agreement. Progress payments, generally net of amounts retained, are paid by the customer over the duration of the contract. Amounts billed and due from customers, as well as the amount of contract assets, are generally classified within current assets in the consolidated balance sheets. Refer to Contract Assets and Contract Liabilities below for related discussion. Amounts expected to be collected beyond one year are classified as other long-term assets.

Service Contracts

For service contracts (including maintenance contracts) where the Company has the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on our performance to date, revenue is recognized as services are performed. For all other types of service contracts, revenue is recognized over time using the input method to measure progress because it best depicts the transfer of value to the customer. Costs include all direct material and labor costs, subcontractor costs, and allocated overhead costs related to contract performance.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retention on contract receivables are amounts due on progress billings, which are withheld until a future period.

Disaggregation of Revenues

DBMG's revenues are principally derived from contracts to provide fabrication and erection services to its customers. Contracts represent the majority of the revenue of the Infrastructure segment and are generally recognized over time. A majority of contracts are domestic, fixed priced, and are completed within one year. Disaggregation of the Infrastructure segment, by market or type of customer, is used to evaluate its financial performance.

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

	Year Ended December 31,	
	2025	2024
Commercial	\$ 371.9	\$ 292.6
Industrial	306.6	307.9
Transportation	192.9	275.3
Healthcare	173.1	151.6
Government	128.8	11.7
Energy	13.5	7.2
Leisure	13.0	9.6
Convention	8.8	14.0
Total revenue from contracts with customers	\$ 1,208.6	\$ 1,069.9
Other revenue	1.7	1.7
Total Infrastructure segment revenue	<u>\$ 1,210.3</u>	<u>\$ 1,071.6</u>

Contract Assets and Contract Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from our long-term construction projects when revenue recognized under the cost-to-cost measure of progress exceed the amounts invoiced to our customers, as the amounts cannot be billed under the terms of our contracts. Such amounts are recoverable from our customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. In addition, many of our time and materials arrangements, as well as our contracts to perform turnaround services within the United States industrial services segment, are billed in arrears pursuant to contract terms that are standard within the industry, resulting in contract assets and/or unbilled receivables being recorded, as revenue is recognized in advance of billings. Our contract assets do not include capitalized costs to obtain and fulfill a contract.

Contract liabilities from our long-term construction contracts occur when amounts invoiced to our customers exceed revenues recognized. Contract liabilities additionally include advanced payments from our customers on certain contracts. Contract liabilities decrease as the Company recognizes revenue from the satisfaction of the related performance obligation.

The Company classifies contract assets and liabilities that may be settled beyond one year from the balance sheet date as current, consistent with the length of time of the Company's project operating cycle.

Retainage receivable represents amounts invoiced to customers where payments have been partially withheld (usually 10% or less) pending the completion of certain milestones, satisfaction of other contractual conditions or the completion of the project. Retainage agreements vary from project to project and balances could be outstanding for several months or years depending on a number of circumstances, such as contract-specific terms, project performance and other variables that may arise as the Company makes progress toward completion. As of December 31, 2025 and 2024, the total retainage receivable was \$81.6 million and \$94.1 million, respectively, and the amount of retainage receivable estimated by management to be collected beyond one year is approximately 27.8% and 18.8% of the balance, respectively.

When payment of the retainage is contingent upon the Company fulfilling its obligations under the contract it does not meet the criteria to be included in accounts receivable and remains in the contract's respective contract assets or contract liability, determined on a contract-by-contract basis. The Company has reflected such amounts within the Consolidated Balance Sheets.

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

	December 31,	
	2025	2024
Costs incurred on contracts in progress	\$ 1,365.3	\$ 1,435.2
Estimated earnings	194.4	75.8
Contract revenue earned on uncompleted contracts	1,559.7	1,511.0
Less: progress billings	1,667.5	1,513.8
	<u>\$ (107.8)</u>	<u>\$ (2.8)</u>

The above is included in the accompanying Consolidated Balance Sheets under the following line items:

Contract assets	\$ 64.1	\$ 106.3
Contract liabilities	(171.9)	(109.1)
	<u>\$ (107.8)</u>	<u>\$ (2.8)</u>

	December 31,	
	2025	2024
Cost in excess of billings and estimated earnings	\$ 28.7	\$ 50.8
Conditional retainage	35.4	55.5
Contract assets	<u>\$ 64.1</u>	<u>\$ 106.3</u>
Billings in excess of costs and estimated earnings	\$ (218.1)	\$ (147.7)
Conditional retainage	46.2	38.6
Contract liabilities	<u>\$ (171.9)</u>	<u>\$ (109.1)</u>

As of January 1, 2024, contract assets were \$118.6 million and contract liabilities were \$153.5 million.

Contract assets and liabilities fluctuate period to period based on various factors, including, among others, changes in the number and size of projects in progress at period end; variability in billing and payment terms, such as up-front or advance billings, interim or milestone billings, or deferred billings; and recognized unapproved change orders, contract claims and changes in estimated costs to complete in the normal course of business.

The change in contract assets during the years ended December 31, 2025 and 2024, is a result of the recording of \$45.9 million and \$68.0 million, respectively, of contract assets driven by new commercial projects, partially offset by \$88.1 million and \$80.3 million, respectively, of contract assets transferred to receivables from contract assets recognized at the beginning of the year, including from certain large projects completed or nearing completion and the corresponding billing of amounts previously recorded as contract assets.

The change in contract liabilities during the year ended December 31, 2025 is a result of the recording of periodic contract liabilities of \$166.5 million, driven primarily by large initial billings on new commercial projects, partially offset by revenue recognized that was included in the contract liability balance at the beginning of the year in the amount of \$103.7 million. The change in contract liabilities during the year ended December 31, 2024, is as a result of revenue recognized that was included in the contract liability balance at the beginning of the year in the amount of \$146.7 million, including from certain large projects completed or nearing completion, partially offset by the recording of periodic contract liabilities of \$102.3 million.

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

As of December 31, 2025, the transaction price allocated to remaining unsatisfied performance obligations consisted of the following (in millions):

	Within One Year	Within Five Years	Total
Industrial	\$ 406.6	\$ 113.2	\$ 519.8
Transportation	255.6	247.0	502.6
Commercial	285.9	51.4	337.3
Healthcare	182.4	33.2	215.6
Government	95.7	12.9	108.6
Energy	27.1	—	27.1
Convention	0.3	—	0.3
Leisure	0.1	—	0.1
Remaining unsatisfied performance obligations	<u>\$ 1,253.7</u>	<u>\$ 457.7</u>	<u>\$ 1,711.4</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 2.3 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

Beginning in 2021, R2 Technologies commercially launched its first product, Glacial Rx. Combined with other topical consumables, the Glacial Rx system is sold to medical practices and is intended to be operated by a trained health care professional. Beginning in 2022, R2 Technologies commercially launched its second product in China, Glacial Spa. This product launched into the United States and Canada in 2023, marketed as Glacial fx. This device is sold into nonmedical markets as a cooling experience used to even skin tone and brighten and lighten skin and is intended to be operated by a trained esthetician.

Glacial Rx and Glacial fx are sold in North America using a direct sales force. In certain cases, these systems are leased for a small, initial upfront fee and recurring lease payments over a specified timeframe. In international markets, R2 Technologies sells Glacial Rx, Glacial fx and Glacial Spa through distributors. Currently, R2 Technologies has contracts with distributors to sell these products into the following countries: Mexico, United Arab Emirates, Saudi Arabia, Bahrain, Qatar, Australia, Hong Kong, Singapore, Vietnam, China, United Kingdom, France, Kuwait, and India. The Glacial Spa system is currently sold in China and distributed by Huadong's existing sales force to spas.

To operate the systems, kits containing a cycle card with a set number of cycles must be purchased. Once the cycles are exhausted, practices can purchase additional cards with additional cycles resulting in recurring revenues to R2 Technologies. Further, certain topical consumables are required to be utilized in conjunction with the systems also resulting in recurring revenues to R2 Technologies.

Within North America, revenue is recognized on shipment. For international sales, shipping terms are Ex Works, wherein R2 Technologies makes its products available at a specific location, but the buyer is required to pay the transportation costs. Revenue is recognized once an agreed upon freight carrier is selected and goods are picked up by the freight carrier.

Payment Terms

In both North America and internationally, R2 Technologies generally requires customers to remit payment upfront prior to shipment. These payment terms are expressly stated in the standard terms and conditions. In certain circumstances within North America, R2 Technologies accepts longer payment terms not to exceed one year. Any payment plan variation is expressly disclosed in the master services agreement which is required to be signed in conjunction with each sale by every customer. The invoiced amount to be received is recorded in Accounts receivable, net, in the Consolidated Balance Sheet.

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

	Year Ended December 31,	
	2025	2024
Systems and consumables revenue	\$ 12.5	\$ 9.8
Total Life Sciences segment revenue	<u>\$ 12.5</u>	<u>\$ 9.8</u>

Spectrum Segment

Broadcast station revenue is generated primarily from the sale of television airtime in return for a fixed fee or a portion of the related ad sales recognized by the third party. In a typical broadcast station revenue agreement, the licensee of a station makes available, for a fee, airtime on its station to a party which supplies content to be broadcast during that airtime and collects revenue from advertising aired during such content. Broadcast station revenue is recognized over the life of the contract, when the program is broadcast. The fees that Spectrum charges can be fixed or variable and the contracts that the Company enters into are generally short-term in nature. Variable fees are usage/sales-based and recognized as revenue when the subsequent usage occurs. Transaction prices are based on the contract terms, with no material judgments or estimates.

Payment Terms

Spectrum has an unconditional right to receive payment of the amount billed generally within 30 days of the invoice date. Payment terms are expressly stated in our standard terms and conditions. The invoiced amount to be received is recorded in Accounts Receivable on our Consolidated Balance Sheet.

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

	Year Ended December 31,	
	2025	2024
Broadcast station	\$ 23.2	\$ 25.7
Total Spectrum segment revenue	<u>\$ 23.2</u>	<u>\$ 25.7</u>

Transaction Price Allocated to Remaining Unsatisfied Performance Obligations

As of December 31, 2025, the transaction price allocated to remaining unsatisfied performance obligations consisted of \$10.5 million of broadcast station revenues of which \$8.4 million is expected to be recognized within one year and \$2.1 million is expected to be recognized within the next 2 years.

4. Accounts Receivable, Net

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

	December 31,	
	2025	2024
Contracts in progress	\$ 237.0	\$ 184.9
Unbilled retentions	0.1	0.1
Trade receivables	3.6	3.3
Other receivables	0.6	5.8
Allowance for expected credit losses	(0.2)	(0.1)
Total	<u>\$ 241.1</u>	<u>\$ 194.0</u>

As of January 1, 2024, accounts receivable, net totaled \$278.4 million.

For the years ended December 31, 2025 and 2024, the Company recognized expected credit losses of \$0.5 million and a reversal of expected credit losses of \$0.1 million, respectively.

5. Inventory

Inventory consisted of the following (in millions):

	December 31,			
	2025		2024	
Raw materials and consumables	\$	14.9	\$	19.6
Work in process		0.3		0.4
Finished goods		0.8		0.8
Total inventory	\$	16.0	\$	20.8

6. Investments

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

Date	Equity Method ⁽¹⁾	Fair Value ⁽²⁾	Measurement Alternative ⁽³⁾	Total
December 31, 2025	\$ 0.9	\$ —	\$ 0.9	\$ 1.8
December 31, 2024	\$ 0.9	\$ 1.8	\$ 0.9	\$ 3.6

(1) The Company's equity method investments were comprised of MediBeacon and Scaled Cell as of both December 31, 2025 and 2024.

(2) The Company's fair value investments in common stock were comprised of marketable equity securities in two publicly traded companies that were purchased in October 2024 and March 2025, all of which were sold in July 2025.

(3) The Company's measurement alternative method investment was comprised of Triple Ring as of both December 31, 2025 and 2024.

The Company's recognized share of net losses from its equity method investments was \$5.9 million and \$2.3 million for the years ended December 31, 2025 and 2024, respectively.

MediBeacon

Pansend accounts for its preferred stock investment in MediBeacon under the equity method of accounting, inclusive of any fixed maturity securities (notes) issued by MediBeacon to Pansend.

On January 17, 2025, MediBeacon received approval from the U.S. Food and Drug Administration ("FDA") for its Transdermal GFR Measurement System ("TGFR"). Pursuant to the terms of MediBeacon's convertible notes, upon the FDA approval, Pansend's convertible notes of \$11.4 million and the related accrued interest of \$1.5 million, together totaling \$12.9 million, were converted into Series 3 Preferred Stock. In addition, pursuant to its amended commercial partnership with Huadong and, as a result of FDA approval, a \$7.5 million milestone payment from Huadong Medicine Co. Ltd ("Huadong"), a publicly traded company on the Shenzhen Stock Exchange, to MediBeacon for MediBeacon preferred stock was received in the first quarter of 2025. As a result of these transactions, Pansend's ownership in MediBeacon decreased from 45.9% prior to the transactions to 44.7% subsequent to the transactions. On a fully diluted basis, Pansend's ownership in MediBeacon decreased from 40.1% prior to the transactions to 39.7% subsequent to the transactions. As a result of these transactions, Pansend recognized a step-up gain of \$4.4 million which is reflected in Other income, net in the Consolidated Statements of Operations for the year ended December 31, 2025, which increased Pansend's carrying amount of its investment in MediBeacon. Concurrently, Pansend recognized equity method losses of \$5.9 million, driven by the \$4.4 million step-up gain and \$1.5 million of interest from the conversion of the convertible notes, which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon had been previously reduced to zero.

During the year ended December 31, 2024, MediBeacon issued an aggregate \$2.3 million of 12% convertible notes to Pansend with each note due to Pansend in three years from date of issuance. As a result of these note issuances with MediBeacon, during the year ended December 31, 2024, Pansend recognized \$2.3 million of equity method losses which were previously unrecognized because Pansend's carrying amount of its investment in MediBeacon, including the notes, had been previously reduced to zero.

MediBeacon's total outstanding principal amount of notes due to Pansend was \$0.5 million and \$12.0 million, as of December 31, 2025 and 2024, respectively. Interest income earned by Pansend from the MediBeacon notes totaled \$0.1 million and \$1.4 million for the years ended December 31, 2025 and 2024, respectively. The related accrued interest receivable was \$0.4 million and \$1.7 million, as of December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, Pansend's carrying amount of its investment in MediBeacon remained at zero, inclusive for December 31, 2025 and 2024, of the \$0.5 million and \$12.0 million, respectively, in convertible and secured promissory notes which has been offset against recognized equity method losses, and Pansend has cumulative unrecognized equity method losses relating to MediBeacon of \$19.8 million as of December 31, 2025.

Scaled Cell

As of both December 31, 2025 and 2024, the Company held 240,613 shares of Scaled Cell, representing a 20.1% interest. Scaled Cell is an immunotherapy company developing a novel autologous cell therapy system to potentially improve current chimeric antigen receptor T-cell ("CAR-T") treatments.

Triple Ring

As of both December 31, 2025 and 2024, the Company held a 7.2% common interest (1.6% on a fully diluted basis) in Triple Ring, which is accounted for using the measurement alternative method. The Company accounts for its equity securities without readily determinable fair values under the measurement alternative election of ASC 321, *Investments—Equity Securities*, 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.

Marketable Securities

In October 2024, the Company purchased common shares in the open market of a publicly traded company for approximately \$2.0 million, and in March 2025, the Company purchased common shares in the open market of another publicly traded company for \$0.3 million. Both purchases represented less than 1% of the total outstanding equity of the respective issuers. In July 2025, all of these shares were sold for aggregate proceeds of \$2.9 million. Prior to their disposal, these securities were remeasured at fair value each reporting period using the externally quoted market prices, Fair Value Level 1 inputs. For the years ended December 31, 2025 and 2024, fair value gains of \$0.8 million and unrealized fair value losses of \$0.2 million, respectively, related to these securities were included in Other income, net in the Consolidated Financial Statements.

7. Property, Plant and Equipment, Net

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

	December 31,	
	2025	2024
Equipment, furniture and fixtures, and software	\$ 223.3	\$ 211.0
Building and leasehold improvements	42.4	36.8
Land	25.3	18.6
Construction in progress	16.3	8.0
Plant and transportation equipment	6.7	7.4
	\$ 314.0	\$ 281.8
Less: Accumulated depreciation	172.2	148.2
Total	\$ 141.8	\$ 133.6

Depreciation expense was \$22.9 million and \$25.0 million for the years ended December 31, 2025 and 2024, respectively. These amounts included \$12.9 million and \$15.3 million of depreciation expense recognized within cost of revenue for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the gross value of capitalized internal-use software included in PP&E was \$21.0 million and \$20.7 million, respectively, and the net book value as of December 31, 2025 and 2024, was \$6.6 million and \$9.8 million, respectively.

Assets held-for-sale are included within Other current assets in the Consolidated Balance Sheets. As of December 31, 2025, there were no assets held-for-sale. As of December 31, 2024, there were \$7.0 million in assets held-for-sale, which primarily consisted of one building and associated building improvements, land, and equipment 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, 2023	\$ 105.7	\$ 21.4	\$ 127.1
Translation adjustments	(0.4)	—	(0.4)
Balance as of December 31, 2024	\$ 105.3	\$ 21.4	\$ 126.7
Translation adjustments	0.3	—	0.3
Balance as of December 31, 2025	\$ 105.6	\$ 21.4	\$ 127.0

Indefinite-Lived Intangible Assets

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

	December 31,	
	2025	2024
Federal Communications Commission ("FCC") licenses	\$ 107.9	\$ 107.7
Total	<u>\$ 107.9</u>	<u>\$ 107.7</u>

The weighted-average period prior to the next renewal for FCC licenses was 4.4 years and 5.4 years as of December 31, 2025 and 2024, respectively. While broadcast television licenses are issued for a fixed period of time (generally eight years), renewals of these licenses have occurred routinely and at nominal cost. In addition, the Company does not believe that the expiration or non-renewal of any of its FCC licenses would have a material adverse effect on the expected future cash flows and profitability.

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):

	Weighted- Average Original Useful Life	December 31, 2025		
		Gross Carrying Amount	Accumulated Amortization	Net
Trade names	15 years	\$ 25.2	\$ (12.6)	\$ 12.6
Customer relationships and contracts	11 years	87.6	(54.3)	33.3
Channel sharing arrangements	35 years	12.6	(2.5)	10.1
Other	10 years	3.6	(2.3)	1.3
Total		<u>\$ 129.0</u>	<u>\$ (71.7)</u>	<u>\$ 57.3</u>

	Weighted- Average Original Useful Life	December 31, 2024		
		Gross Carrying Amount	Accumulated Amortization	Net
Trade names	15 years	\$ 25.1	\$ (11.0)	\$ 14.1
Customer relationships and contracts	11 years	87.4	(49.1)	38.3
Channel sharing arrangements	35 years	12.6	(2.2)	10.4
Other	10 years	3.9	(2.0)	1.9
Total		<u>\$ 129.0</u>	<u>\$ (64.3)</u>	<u>\$ 64.7</u>

Amortization expense for definite-lived intangible assets was \$7.5 million and \$7.9 million for the years ended December 31, 2025 and 2024, respectively. Amortization expense is included in Depreciation and amortization in the Consolidated Statements of Operations.

Amortization

Future estimated annual amortization expense for intangible assets as of December 31, 2025, is as follows (in millions):

	Estimated Amortization
2026	\$ 6.7
2027	4.9
2028	4.9
2029	4.7
2030	4.5
Thereafter	31.6
Total	<u>\$ 57.3</u>

9. Leases

The Company has entered into operating leases for land, office space, and certain Company vehicles and equipment and has entered into finance leases for certain Company vehicles and equipment. The leases will expire between 2026 and 2045. Right-of-use lease assets and lease liabilities consisted of the following (in millions):

	Balance Sheet Location	December 31,	
		2025	2024
Right-of-use assets:			
Operating lease	Other assets (non-current)	\$ 52.9	\$ 53.7
Finance lease	Property, plant and equipment, net	0.1	0.5
Total right-of-use assets		\$ 53.0	\$ 54.2
Lease liabilities:			
Current portion of operating lease	Other current liabilities	\$ 12.9	\$ 12.9
Non-current portion of operating lease	Other liabilities	42.9	43.5
Finance lease	Debt obligations	0.1	0.6
Total lease liabilities		\$ 55.9	\$ 57.0

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

	Year Ended December 31,	
	2025	2024
Finance lease cost:		
Amortization of right-of-use assets	\$ 0.2	\$ 0.4
Interest on lease liabilities	—	0.1
Net finance lease cost	0.2	0.5
Operating lease cost	18.2	17.5
Variable lease cost	0.6	0.6
Sublease income	—	(0.7)
Total non-current lease cost	19.0	17.9
Short-term lease costs	27.1	30.0
Total lease cost	\$ 46.1	\$ 47.9

Based on the short-term leases executed as of December 31, 2025, the Company expects that it will incur approximately \$12.1 million in estimated short-term lease costs for the year ended December 31, 2026.

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

	Year Ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases ⁽¹⁾	\$ 19.4	\$ 19.3
Operating cash flows for finance leases	\$ —	\$ 0.1
Financing cash flows for finance leases	\$ 0.3	\$ 0.4
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 15.6	\$ 18.5
Finance leases	\$ 0.1	\$ —

(1) The above amounts exclude \$4.0 million received during the year ended December 31, 2025, and \$4.0 million received during the year ended December 31, 2024 for a lease modification incentive. See below for additional information.

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

On May 1, 2024, a subsidiary of DBMG amended the termination date of three property leases that had an original expiry date of March 31, 2031. In exchange, and as an inducement for DBMG to early terminate, the landlord agreed to pay DBMG \$12.0 million in surrender fees in three equal installments, contingent on timely vacate and inspection milestones, of which DBMG received \$4.0 million in surrender fees in 2024 and \$4.0 million in surrender fees in 2025, with the remaining \$4.0 million payment due to DBMG due within five business days of the vacate date in 2027 for the remaining property lease. After final surrender of the properties, DBMG will have no further obligations under these leases. The Company accounted for this transaction as a lease modification and recognized a \$8.7 million gain on lease modification, which is included in Other operating income in the Consolidated Statement of Operations for the year ended December 31, 2024.

The weighted-average remaining lease terms and the weighted-average discount rates for the Company's leases were as follows:

	December 31,	
	2025	2024
Weighted-average remaining lease term (years) - operating leases	6.6	7.4
Weighted-average remaining lease term (years) - finance leases	2.1	2.7
Weighted-average discount rate - operating leases	6.4 %	6.1 %
Weighted-average discount rate - finance leases	5.0 %	5.3 %

Future minimum lease commitments (undiscounted) as of December 31, 2025, were as follows (in millions):

	Operating Leases	Finance Leases
2026	\$ 15.5	\$ 0.1
2027	13.6	—
2028	10.1	—
2029	6.5	—
2030	4.9	—
Thereafter	17.2	—
Total future minimum lease payments	67.8	0.1
Less: amounts representing interest	(12.0)	—
Total lease liability	\$ 55.8	\$ 0.1

10. Other Assets, Accrued Liabilities and Other Liabilities

Other Current Assets

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

	December 31,	
	2025	2024
Prepaid assets	\$ 10.6	\$ 10.9
Assets held-for-sale	—	7.0
Income tax receivable	4.4	0.6
Other	3.2	2.5
Total other current assets	\$ 18.2	\$ 21.0

Other Assets

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

	December 31,	
	2025	2024
Right-of-use assets	\$ 52.9	\$ 53.7
Restricted cash - non-current	0.6	0.5
Other	7.3	8.1
Total other assets	\$ 60.8	\$ 62.3

Accrued Liabilities

Accrued liabilities consisted of the following (in millions):

	December 31,	
	2025	2024
Accrued expenses	\$ 12.8	\$ 13.4
Accrued payroll and employee benefits	36.7	34.1
Accrued interest and exit fees (current portion)	72.1	61.0
Accrued sales and use taxes	0.3	0.4
Accrued income taxes	0.6	0.8
Total accrued liabilities	<u>\$ 122.5</u>	<u>\$ 109.7</u>

Other Current Liabilities

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

	December 31,	
	2025	2024
Operating lease liability, current portion	\$ 12.9	\$ 12.9
Other	4.0	4.3
Total other current liabilities	<u>\$ 16.9</u>	<u>\$ 17.2</u>

Other Liabilities

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

	December 31,	
	2025	2024
Operating lease liability, net of current portion	\$ 42.9	\$ 43.5
Accrued interest (non-current portion)	—	0.7
Other	3.4	2.6
Total other liabilities	<u>\$ 46.3</u>	<u>\$ 46.8</u>

Asset Retirement Obligations

The changes in the carrying amounts of the Company's Asset Retirement Obligations ("ARO") included in Other liabilities above are as follows (in millions):

	December 31,	
	2025	2024
Carrying value, beginning of year	\$ 1.9	\$ 1.9
Accretion expense	0.2	0.2
Revisions in estimated cash flows	0.1	(0.2)
Carrying value, end of year	<u>\$ 2.2</u>	<u>\$ 1.9</u>

The AROs relate to Spectrum's tower leases and related tower assets, which are removable and can be retired or redeployed elsewhere. The Company's obligations represent the present value of future costs associated with the removal of certain assets imposed by the existing tower lease agreements.

11. Debt Obligations

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

	Maturity Date	December 31,	
		2025	2024
Infrastructure			
SOFR plus 2.75% Revolving Credit Facility	May 20, 2030	\$ 15.0	\$ —
SOFR plus 2.75% Term Loan	May 20, 2030	72.6	—
PRIME minus 0.75% Revolving Credit Facility		—	45.0
3.25% Term Loan		—	74.6
PRIME minus 0.75% Term Loan		—	24.5
Obligations under finance leases	Various	0.1	0.6
Total Infrastructure		\$ 87.7	\$ 144.7
Spectrum			
8.50% Note	September 30, 2026	\$ 19.3	\$ 19.3
11.45% Notes	September 30, 2026	50.4	50.4
Total Spectrum		\$ 69.7	\$ 69.7
Life Sciences			
Lancer Promissory Note	August 1, 2026	\$ 47.9	\$ 24.0
Total Life Sciences		\$ 47.9	\$ 24.0
Non-Operating Corporate			
10.50% Senior Secured Notes ⁽¹⁾	February 1, 2027	\$ 360.4	\$ —
9.50% Convertible Senior Notes ⁽¹⁾	March 1, 2027	53.5	—
CGIC Promissory Note ⁽¹⁾	April 30, 2027	45.9	31.0
SOFR plus 5.75% Revolving Line of Credit	September 15, 2026	20.0	20.0
8.50% Senior Secured Notes	February 1, 2026	1.9	330.0
7.50% Convertible Senior Notes	August 1, 2026	0.2	48.9
Total Non-Operating Corporate		\$ 481.9	\$ 429.9
Total outstanding principal		\$ 687.2	\$ 668.3
Unamortized issuance discount, issuance premium, and deferred financing costs		(25.5)	(5.5)
Less: current portion of debt obligations ⁽¹⁾		(581.4)	(162.2)
Debt obligations, net of current portion		\$ 80.3	\$ 500.6

(1) Certain debt instruments with long-term maturity dates have been classified as current obligations as of December 31, 2025, due to contingent mandatory prepayment provisions contained in the agreements that could require repayment within one year of the balance sheet date if certain asset sales occur, resulting in uncertainty regarding the timing of repayment.

In August 2025, INNOVATE closed on a series of indebtedness refinancing transactions that extended certain of the Company's debt maturities within its Life Sciences, Spectrum and Non-Operating Corporate segments. Total third-party fees related to the refinancing transactions, that were expensed as a result of these refinancing transactions being classified as modifications or troubled debt restructurings under ASC 470 as described below, totaled \$4.5 million for the year ended December 31, 2025.

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

As of December 31, 2025, estimated future aggregate finance lease and principal debt payments based on contractual maturities, excluding interest, were as follows (in millions):

	Finance Leases	Debt	Total
2026	\$ 0.1	\$ 145.2	\$ 145.3
2027	—	466.1	466.1
2028	—	5.8	5.8
2029	—	6.4	6.4
2030	—	63.6	63.6
Total aggregate finance lease and debt principal payments	<u>\$ 0.1</u>	<u>\$ 687.1</u>	<u>\$ 687.2</u>

The interest rates on finance leases ranged from approximately 3.0% to 5.6%.

Infrastructure

On May 20, 2025, DBMG entered into an Amended and Restated Credit agreement (the "DBMG Credit Agreement"), with the lenders which are party thereto from time to time (each a "Lender" and collectively the "Lenders") and UMB BANK, N.A. ("UMB"). The DBMG Credit Agreement provides DBMG with senior secured debt financing in an amount up to \$220.0 million in the aggregate, consisting of (i) a senior secured revolving credit facility (the "DBMG Revolving Facility") in an aggregate amount of \$135.0 million and (ii) a senior secured term loan facility in the amount of \$85.0 million. The DBMG Credit Agreement also contains an accordion feature to increase the allowable size of the DBMG Revolving Facility by an additional \$50.0 million. The DBMG Revolving Facility and the term loan facility will mature on May 20, 2030. DBMG entered into the DBMG Credit Agreement to fully repay DBMG's existing debt obligations and provide additional working capital capacity.

On May 20, 2025, concurrently with DBMG's entry into the new DBMG Credit Agreement, DBMG terminated its prior credit agreement, dated as of May 27, 2021 and as amended by the First Amendment to Credit Agreement, dated August 2, 2022, the Second Amendment to Credit Agreement, dated December 12, 2023, and the Third Amendment to Credit Agreement, dated June 28, 2024 (as amended, the "Prior DBMG Credit Agreement"). DBMG used a portion of the proceeds of the new DBMG Credit Agreement to refinance the indebtedness under the Prior DBMG Credit Agreement, and thereafter terminated the Prior DBMG Credit Agreement. The maturity dates of the revolving line and term loans under the Prior DBMG Credit Agreement were August 15, 2025, and May 31, 2026, respectively.

The term loan and borrowings under the new DBMG Credit Agreement bear interest at a rate per annum equal to a SOFR Rate plus a variable spread based on a Senior Funded Indebtedness to EBITDA Ratio as defined in the agreement with an interest rate floor of 4.25% per annum.

The obligations of the Borrowers under the new DBMG Credit Agreement are guaranteed by certain domestic subsidiaries of DBMG. As security for the Borrowers' obligations under the DBMG Credit Agreement, (i) DBMG and its domestic subsidiaries have granted a first priority lien on substantially all their tangible and intangible personal property, including, without limitation, accounts receivable, equipment and the equity interests of certain of DBMG's direct and indirect subsidiaries, and (ii) certain of the domestic subsidiaries of DBMG have granted a first priority lien on ten parcels of real estate owned by such subsidiaries.

The DBMG Credit Agreement contains usual and customary restrictive and financial covenants related to debt levels and performance, including a Fixed Charge Coverage Ratio; and a Senior Funded Indebtedness to EBITDA Ratio, both as defined in the DBMG Credit Agreement. The DBMG Credit Agreement contains a Change in Control clause, which would constitute an Event of Default, both as defined in the DBMG Credit Agreement, which could accelerate the maturity of the DBMG debt in the future upon certain events, including a sale of DBMG. As the Change in Control clause has not yet been triggered, the DBMG debt instruments remain classified as non-current as of December 31, 2025, except amounts due within the 2026 fiscal year, as originally defined in the DBMG Credit Agreement.

Due to multiple lenders being party to the new DBMG Credit Agreement, the May 20, 2025 transactions were determined to be either an extinguishment or modification under ASC 470-50, *Debt - Modifications and Extinguishments* ("ASC 470-50") or the incurrence of new debt, depending on the specific lender. For the portions of the debt classified as extinguishments, losses on extinguishment totaling \$0.3 million, were included within Other income, net on the Consolidated Statement of Operations for the year ended December 31, 2025. For the debt portions classified as modifications or new debt, new incremental deferred financing fees totaling \$1.8 million were capitalized as original issue discounts and included in the carrying amount of the debt in the Consolidated Balance Sheet and \$0.1 million in fees paid to third parties were expensed. Capitalized fees are amortized over the remaining life of the debt under the effective interest rate method and are included in interest expense.

DBMG had availability for revolving loans of \$119.9 million and \$89.9 million, as of December 31, 2025 and 2024, respectively. Interest is paid monthly on DBMG's revolving loans, and the effective interest rate on DBMG's revolving loans was 6.8% and 7.0%, as of December 31, 2025 and 2024, respectively. The new DBMG Revolving Facility has an unused commitment fee of 0.50% per annum times the average daily unused availability under the line, whereas under the Prior DBMG Credit Agreement, the commitment fee was equal to 0.25% per annum times the average daily unused availability under the line.

Principal payments and interest on DBMG's term loan are paid monthly, and the effective interest rate was 7.4% as of December 31, 2025. Prior to the new DBMG Credit Agreement, DBMG had two term loans under the Prior DBMG Credit Agreement. As of December 31, 2024, the \$74.6 million term loan bore interest at an annual rate of 3.25%, with an effective interest rate of 3.3%. As of December 31, 2024, the \$24.5 million term loan bore interest at PRIME minus 0.75%, at the same rate as the prior revolving loans.

DBMG is in compliance with its debt covenants as of December 31, 2025.

Spectrum

On August 4, 2025, Spectrum entered into a Tenth Omnibus Amendment to Secured Notes and Limited Consent to MSD Secured Note and Intercreditor Agreement with the note holders of Spectrum's \$69.7 million 8.50% and 11.45% Notes (the "Spectrum Notes") to, among other things, extend the maturity of such notes from August 15, 2025 to September 30, 2026 (the "Spectrum Notes Extension"). The Spectrum Notes Extension was determined to be a modification of debt under ASC 470-50, as the terms of the debt were not determined to be substantially different, as the present value of cash flows under the amended terms of the Spectrum Notes were not greater than 10% different from the present value of the remaining cash flows under the prior terms.

As a result of the Spectrum Notes Extension, additional exit fees of \$9.9 million were incurred. The exit fees associated with the notes, which are payable on the earlier of maturity or repayment of the principal, were recorded as an original issue discount ("OID") and are being amortized over the remaining life of the notes, which is assumed to be the maturity date. A liability for the total exit fees of \$25.8 million and \$15.9 million was reflected within Accrued liabilities in the Consolidated Balance Sheets as of December 31, 2025 and 2024, respectively. Accrued interest of \$27.9 million and \$20.5 million, as of December 31, 2025 and 2024, respectively, is reflected within Accrued liabilities in the Consolidated Balance Sheets and is payable upon maturity of the notes. As of December 31, 2025 and 2024, the weighted-average effective interest rate on the notes, as amended, was 25.0% and 22.8% per annum, respectively.

In connection with the Spectrum Notes Extension, INNOVATE entered into a related side letter (the "Spectrum Letter") with the lenders, which required us to meet certain milestones with respect to strategic alternatives for the Spectrum segment, such that, if the Spectrum Notes are not repaid in full in cash on or before November 1, 2025, the side letter provides that Company is required to commence an alternative strategic process for HC2B which includes a sale of HC2B with the net proceeds to be applied to the Spectrum Notes. The November 1, 2025 milestone was not reached and in accordance with the Spectrum letter, management initiated a strategic process for HC2B. The Company has met or extended all milestones associated with the sale as of December 31, 2025. Subsequent to year-end, the December 31, 2025 milestone for a confidential information memorandum and bid process letter, was met on the revised date of January 8, 2026. The February 1, 2026 milestone for the submission of at least one bona fide indication of interest in an HC2B sale was waived. The March 1, 2026 milestone for an executed letter of intent regarding an HC2B sale, was extended to March 27, 2026. As of the date of this Annual Report on Form 10-K, the Company is in compliance with the milestone covenants.

The Spectrum Letter also requires INNOVATE to utilize proceeds from a sale of certain assets, as allowable under the Company's current agreements and indentures and after all other required payments have been made, for repayment of the Spectrum Notes. Assuming there are sufficient proceeds remaining after such repayment, INNOVATE is required to purchase the institutional investors' equity interests in HC2B and DTV for an aggregate purchase price of \$2.0 million. The lenders hold 20,408 shares of common stock in HC2B, 2,222,222 shares of common stock in DTV, and warrants to purchase 145,825 shares of common stock of HC2B which can be exercised at any time until August 31, 2028, at an exercise price of \$0.01 per share. These redeemable non-controlling interests totaling \$2.6 million are reflected at carrying value as redeemable non-controlling interests in the Consolidated Balance Sheet as of December 31, 2025. As of December 31, 2025, Management has evaluated this redeemable non-controlling interest and determined that redemption is not probable at this time due to the uncertainty of redemption. Therefore, the carrying amount has not been adjusted to redemption value. The Company will continue to monitor for any changes in circumstances.

Life Sciences

On August 4, 2025, Lancer Capital LLC ("Lancer"), a related party, and R2 Technologies entered into an Amended and Restated Senior Secured Promissory Note (the "Lancer Note"), which was previously amended multiple times as further described below, and which, among other things, extended the maturity of the note to the earlier of August 1, 2026, or the occurrence of (i) a Change of Control (as defined in the amended note) or (ii) the sale of all or substantially all of the assets of R2 Technologies. The Lancer Note can be repaid at any time with an optional prepayment of the entire then-outstanding and unpaid principal and accrued interest upon five-days written notice to Lancer Capital. The amended Lancer Note has an interest rate of 12% and removed certain exit and default fees. Accrued and unpaid interest is capitalized monthly into the principal balance.

The total new initial principal amount of the amended Lancer Note on August 4, 2025 was \$43.5 million, which incorporated the \$20.0 million principal amount of the note as previously amended effective January 31, 2024 (which was comprised of a principal amount of \$17.4 million and unpaid accrued interest of \$2.6 million), accrued interest of \$7.0 million and \$16.5 million in accrued exit fees which had been incurred from January 31, 2024 through August 4, 2025. In addition, a new 5% extension fee of \$2.2 million was capitalized into the principal amount on August 4, 2025.

The August 4, 2025 amendment was determined to be a troubled debt restructuring under ASC 470-60, *Debt - Troubled debt restructuring by debtors* ("ASC 470-60") because R2 Technologies was deemed to be experiencing financial difficulty, and according to the substantial changes under the amendment, the lender was deemed to have granted a concession. However, no gain or loss on the amendment was recorded, as the future undiscounted cash flows under the amended terms were greater than the net carrying value of the note prior to the amendment. A new effective interest rate was established based on the carrying value of the original debt and the revised future cash flows, which is inclusive of the extension fee. The new extension fee was recorded as OID and is being amortized over the term of the note using the effective interest rate method and is included in interest expense.

As of December 31, 2025 and 2024, the effective interest rate on the note, as amended, was 17.0% and 57.8%, respectively. Interest expense, including amortization of fees, related to the Lancer Note was \$14.7 million and \$9.8 million for the years ended December 31, 2025 and 2024. For the years ended December 31, 2025 and 2024, \$5.3 million and \$6.6 million of accrued interest, excluding exit fees and extension fees, was capitalized into the principal balance.

As of December 31, 2025, the total carrying amount relating to the note, which is included within the Current portion of debt obligations in the Consolidated Balance Sheet, was \$46.6 million, inclusive of \$47.9 million of principal (which includes capitalized interest and fees), partially offset by \$1.3 million of the unamortized OID for the extension fee. As of December 31, 2024, the carrying amounts relating to the note totaled \$31.9 million, inclusive of \$24.0 million of principal and capitalized interest, which total was included within Current portion of debt obligations in the Consolidated Balance Sheet, and \$7.9 million in total accrued exit fees which were included within Accrued liabilities in the Consolidated Balance Sheet.

Effective January 31, 2024, when the 20% \$20.0 million note was entered into with Lancer Capital, which replaced the prior 20% note, the note included an exit fee of 10.5% of the principal amount to be repaid. As a result of the addition of the exit fee, the transaction was determined to be an extinguishment of debt under ASC 470-50, and the \$2.2 million exit fee was included as a loss on debt extinguishment within Other income, net on the Consolidated Statement of Operations for the year ended December 31, 2024. The original maturity date of the 20% \$20.0 million note was April 30, 2024, which was then extended on May 17, 2024, to December 31, 2024. The May 17, 2024 amendment included an amendment to the exit fees and was determined to be a modification of debt under ASC 470-50, as the terms of the debt were not determined to be substantially different, including taking into consideration the ability to prepay the debt at any time, and, therefore, the additional exit fees were amortized using the effective interest method and were included in interest expense.

During the first quarter of 2025, with an effective date of December 31, 2024, the maturity date of the note was extended to August 1, 2025, and an additional exit fee of \$1.0 million was incurred under the amendment, which increased by \$1.0 million each month. The base exit fee, as amended, would increase each month and would equal 13.09% of the principal amount being repaid at maturity. The amendment was determined to be a modification of debt under ASC 470-50, as the terms of the debt were not determined to be substantially different, including taking into consideration the ability to prepay the debt at any time, and, therefore, the additional exit fees were amortized over the term of the note using the effective interest rate method and were included in interest expense. The total new exit fees associated with the notes were recorded as an OID of \$8.7 million and were amortized over the remaining term of the note. A corresponding liability for the new exit fees of \$8.7 million was recorded for total accrued exit fees of \$16.5 million which were included within Accrued liabilities in the Consolidated Balance Sheet prior to the August 4, 2025 amendment.

Non-Operating Corporate

In August 2025, INNOVATE closed on a series of indebtedness refinancing transactions that extended certain of INNOVATE's debt maturities. These refinancing transactions included: (i) the closings of an exchange offer and consent solicitation with respect to the Company's senior secured notes; (ii) privately negotiated exchanges of certain of the Company's convertible senior notes; (iii) amendment and extension of the Company's 2020 Revolving Credit Agreement (as defined below); and (iv) amendment and extension of the Company's promissory note with Continental General Insurance Company ("CGIC"), as well as the exchange of a portion of the Company's preferred stock held by CGIC and accrued preferred stock dividends in exchange for increasing the principal amount of that note.

10.50% Senior Secured Notes due 2027

In August 2025, the Company closed on an exchange offer and consent solicitation to eligible holders of its 8.50% senior secured notes due 2026 ("8.50% 2026 Senior Secured Notes") to exchange such notes for newly issued 10.50% senior secured notes due 2027 (the "10.50% 2027 Senior Secured Notes"). The Company, the guarantors party thereto from time to time and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the "10.50% 2027 Senior Secured Notes Trustee") and collateral trustee, entered into an indenture (the "10.50% 2027 Senior Secured Notes Indenture") governing the 10.50% 2027 Senior Secured Notes and the Company issued \$360.4 million aggregate principal amount of 10.50% 2027 Senior Secured Notes as consideration for the exchange of \$328.1 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes. The new principal amount includes fees payable to the lenders and \$52.50 principal amount of 10.50% 2027 Senior Secured Notes per \$1,000 principal amount of 8.50% 2026 Senior Secured Notes exchanged, paid to exchanging holders in lieu of the interest payment in respect of the 8.50% 2026 Senior Secured Notes that was due on August 1, 2025.

The Company's obligations under the 10.50% 2027 Senior Secured Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the same guarantors that guarantee the 8.50% 2026 Senior Secured Notes (the "Subsidiary Guarantors"). The 10.50% 2027 Senior Secured Notes and the related guarantees are senior secured obligations of the Company and the Subsidiary Guarantors. The 10.50% 2027 Senior Secured Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from the registration requirements of the Securities Act.

The exchange of the 8.50% 2026 Senior Secured Notes for the 10.50% 2027 Senior Secured Notes was determined to be a modification of debt under ASC 470-50, as the terms of the debt were not determined to be substantially different, as the present value of cash flows under the terms of the 10.50% 2027 Senior Secured notes were not greater than 10% different from the present value of the remaining cash flows under the 2026 8.50% Senior Secured Notes. Therefore, total fees and additional interest of \$18.3 million payable to the lenders and capitalized into the new principal amount under the exchange offer was recorded as an OID and remaining unamortized deferred financing fees of \$1.3 million allocated from the 8.50% 2026 Senior Secured Notes exchanged will be amortized into interest expense over the term of the notes using the effective interest rate method.

Aggregate interest expense for the new 10.50% 2027 Senior Secured Notes, including the contractual interest coupon and amortization of fees was \$20.6 million for the year ended December 31, 2025. As of December 31, 2025, the total carrying amount related to the note was \$345.5 million, inclusive of \$360.4 million aggregate principal outstanding, partially offset by \$13.9 million of the unamortized OID and \$1.0 million of unamortized deferred financing fees. The effective interest rate on the 10.50% 2027 Senior Secured Notes was 14.4% as of December 31, 2025.

10.50% 2027 Senior Secured Notes Terms and Conditions

Maturity. The 10.50% 2027 Senior Secured Notes mature on February 1, 2027.

Interest. The 10.50% 2027 Senior Secured Notes accrue interest at a rate of 10.50% per year, payable semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest will be paid in kind. All subsequent interest payments are payable in cash.

Ranking. The 10.50% 2027 Senior Secured Notes and the note guarantees are the Company's and the Subsidiary Guarantors' senior secured obligations. The 10.50% 2027 Senior Secured Notes and the note guarantees will rank: (i) equal in right of payment (subject to the priority of any First-Out Obligations (as defined in the 10.50% 2027 Senior Secured Notes Indenture) (including any debt under the Company's existing \$20.0 million secured revolving credit facility)) with all existing and future senior debt of the Company and the Subsidiary Guarantors and effectively senior to all unsecured debt of the Company to the extent of the value of the collateral; (ii) senior in right of payment to all of the Company's future debt that expressly provides for its subordination to the 10.50% 2027 Senior Secured Notes; (iii) effectively subordinated to any existing and future debt of the Company that is secured by liens on property and assets that do not constitute collateral, to the extent of the value of such property and assets; and (iv) structurally subordinated to any existing and future debt and other liabilities of the Company's non-guarantor subsidiaries.

Collateral. The 10.50% 2027 Senior Secured Notes are secured by a first priority lien on substantially all of the Company's assets and the assets of the Subsidiary Guarantors (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the 10.50% 2027 Senior Secured Notes Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 65% of the voting stock of such foreign subsidiary if the pledge thereof would result in adverse tax consequences that are material to the value of the collateral);
- all equipment, goods, inventory and fixtures owned by the Company or a Subsidiary Guarantor;
- all accounts, cash, deposit accounts and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;
- all intellectual property and other general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

No Sinking Fund. The Company is not required to make any sinking fund payments with respect to the 10.50% 2027 Senior Secured Notes.

Optional Redemption. The Company has the option to redeem some or all of the 10.50% 2027 Senior Secured Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date.

Asset Sale Offer. If the Company completes certain assets sales, the Company may be required in certain circumstances to make an offer to purchase the 10.50% 2027 Senior Secured Notes with the net cash proceeds from such an asset sale at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Change of Control. If a Change of Control (as defined in the 10.50% 2027 Senior Secured Notes Indenture) occurs, the Company will be required to make an offer to purchase the 10.50% 2027 Senior Secured Notes for cash at a price equal to 101% of the aggregate principal amount of such 10.50% 2027 Senior Secured Notes on the date of purchase, plus any accrued and unpaid interest to the date of repurchase.

Certain Covenants. The 10.50% 2027 Senior Secured Notes Indenture contains covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company’s subsidiaries, to incur additional indebtedness; create liens; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. Additionally, the 10.50% 2027 Senior Secured Notes Indenture required us to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, to be applied to the 10.50% 2027 Senior Secured Notes, such that by September 1, 2025 the Company had a bona fide bid or term sheet related to a potential sale. The September 1, 2025 milestone was not reached, and in accordance with the indenture, the Company has thus been required to commence a sales process for DBMG. The sales process for DBMG has separate milestone requirements, which the Company has either met or extended as of December 31, 2025. In addition, subsequent to year end, the February 1, 2026 milestone for a final bid or term sheet was extended to March 1, 2026 and was met on this revised date. The March 1, 2026 milestone for a fully executed purchase agreement, has been extended to April 1, 2026. As of the date of this Annual Report on Form 10-K, the Company is in compliance with the milestone covenants.

Events of Default. The 10.50% 2027 Senior Secured Notes Indenture contains customary events of default which could, subject to certain conditions, cause the 10.50% 2027 Senior Secured Notes to become immediately due and payable, including, but not limited to defaults by the Company in the payment of the principal of any the 10.50% 2027 Senior Secured Notes when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise (other than pursuant to an offer to purchase by the Company) or in the payment of interest on any note when the same becomes due and payable, and the default continues for a period of 30 days; failure to comply with certain other covenants in the 10.50% 2027 Senior Secured Notes Indenture for a period of 60 days following notice by the 10.50% 2027 Senior Secured Notes Trustee or the holders of at least 30% in aggregate principal amount of the 10.50% 2027 Senior Secured Notes then outstanding; failure to pay or otherwise default on material debt; or failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating \$20 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; certain events of bankruptcy or insolvency; and failure to comply with the milestone covenant described above.

8.50% Senior Secured Notes due 2026

The original \$330.0 million aggregate principal amount of 8.50% senior secured notes due February 1, 2026 (the "8.50% 2026 Senior Secured Notes") were issued in 2021 at 100% of par. In August 2025, the Company exchanged \$328.1 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes for new 10.50% 2027 Senior Secured Notes, as discussed above. As of December 31, 2025, the Company had \$1.9 million aggregate principal amount of the 8.50% 2026 Senior Secured Notes remaining. Subsequent to year end, on February 2, 2026, the Company repaid the remaining principal balance and all accrued interest.

The 2026 Senior Secured Notes had a stated annual interest rate of 8.50% and had an effective interest rate of 9.3%, which reflected the initial \$10.8 million of deferred financing fees in 2021, including underwriting fees. There was a negligible amount and \$2.8 million of remaining unamortized deferred financing fees as of December 31, 2025 and 2024, respectively. Interest was payable semi-annually in arrears on February 1st and August 1st of each year. Aggregate interest expense, including the contractual interest coupon and amortization of the deferred financing fees was \$17.9 million and \$30.4 million for the years ended December 31, 2025 and 2024, respectively.

8.50% 2026 Senior Secured Notes Terms and Conditions

Maturity. The 8.50% 2026 Senior Secured Notes matured on February 1, 2026.

Interest. The 2026 Senior Secured Notes accrued interest at a rate of 8.50% per year. Interest on the 2026 Senior Secured Notes was paid semi-annually on February 1 and August 1 of each year.

2027 Convertible Notes

On August 4, 2025, the Company settled the exchanges (collectively, the “Convertible Notes Exchanges”) under its privately negotiated exchange agreements (collectively, the “Exchange Agreements”) with certain holders of its 7.5% Convertible Senior Notes due 2026 (“the 2026 Convertible Notes”). Pursuant to the Exchange Agreements, the Company exchanged \$48.7 million of the then outstanding aggregate principal amount of the 2026 Convertible Notes for \$53.5 million aggregate principal amount of newly issued 9.5% Convertible Senior Secured Notes due 2027 (the “2027 Convertible Notes”), which is the total outstanding principal amount as of December 31, 2025. The new principal amount includes fees payable to the lenders and \$47.50 principal amount of 2027 Convertible Notes per \$1,000 principal amount of 2026 Convertible Notes exchanged, paid to exchanging holders in lieu of the interest payment in respect of the 2026 Convertible Notes that was due on August 1, 2025.

The Company, the guarantors party thereto from time to time and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the “2027 Convertible Notes Trustee”) and collateral trustee, entered into an indenture (the “2027 Convertible Notes Indenture”), dated as of August 4, 2025, governing the 2027 Convertible Notes.

The Convertible Notes Exchanges were made, and the 2027 Convertible Notes were issued, in reliance on a private placement exemption from registration under the Securities Act. The 2027 Convertible Notes and the shares of common stock issuable upon their conversion have not been and will not be registered under the Securities Act, and the 2027 Convertible Notes and such shares may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from the registration requirements of the Securities Act.

The initial maximum number of securities underlying the 2027 Convertible Notes, assuming the largest “make-whole” addition to the conversion rate under the 2027 Convertible Notes Indenture, and assuming that the Company has obtained the requisite stockholder approval referred to above, is 1,543,174 shares of the Company’s common stock. As of December 31, 2025, each \$1,000 of principal of the 2027 Convertible Notes is convertible into 23.6327 shares of our common stock, for a total of 1,263,308 shares of common stock, which is equivalent to a conversion price of approximately \$42.31 per share, as adjusted for the reverse stock split in 2024 and subject to further adjustment upon the occurrence of specified events. Based on the closing price of our common stock on December 31, 2025, the if-converted value of the 2027 Convertible Notes did not exceed its principal value.

The convertible notes exchange was determined to be a modification of debt under ASC 470-50, as the terms of the debt were not determined to be substantially different, including taking into consideration the ability to prepay the 2027 Convertible Notes at any time. Pursuant to ASC 470-50, because the exchange was deemed to be a modification and the fair value of the embedded conversion feature (evaluated under ASC 815-40 and determined not to be bifurcated as a derivative) increased, the carrying amount of the debt was adjusted accordingly, with a corresponding \$0.5 million credit recorded to additional paid-in capital (“APIC”). Therefore, the following amounts were recorded as an OID or deferred financing cost and are being amortized into interest expense over the term of the new 2027 Convertible Notes using the effective interest rate method: total new fees and additional interest of \$2.9 million payable to the lenders and capitalized into the principal amount for the convertible notes exchanged, remaining unamortized deferred financing fees of \$0.2 million allocated from the 2026 Convertible Notes exchanged, and a discount of \$0.5 million, attributable to the increase in fair value of the embedded conversion option, offset partially by \$2.4 million in remaining unamortized premiums allocated from the 2026 Convertible Notes exchanged. The effective interest rate on the 2027 Convertible Notes is 11.1%.

Aggregate interest expense, including the contractual interest coupon and amortization was \$2.4 million for the year ended December 31, 2025. As of December 31, 2025, the total carrying amount related to the note was \$52.5 million, inclusive of \$53.5 million aggregate principal outstanding, partially offset by a remaining unamortized net OID of \$0.8 million and unamortized deferred financing fees of \$0.2 million.

2027 Convertible Notes Terms and Conditions

Maturity. The 2027 Convertible Notes mature on March 1, 2027 unless earlier converted, redeemed or purchased.

Interest. The 2027 Convertible Notes accrue interest at a rate of 9.5% per year. Interest on the 2027 Convertible Notes is paid semi-annually on February 1st and August 1st of each year, commencing on February 1, 2026. For the first interest period only, interest will be paid in kind. All subsequent interest payments are payable in cash.

Ranking. The 2027 Convertible Notes constitute a secured and second-priority lien obligation of the Company. The 2027 Convertible Notes and the note guarantees will rank: (i) junior in right of payment with all existing and future first-lien debt of the Company and the Subsidiary Guarantors (including the 10.50% 2027 Senior Secured Notes, the 2020 Revolving Credit Agreement and the guarantees thereof) and effectively senior to all unsecured or third-lien debt of the Company to the extent of the value of the collateral; (ii) senior in right of payment to all of the Company’s future debt that expressly provides for its subordination to the 2027 Convertible Notes; (iii) effectively subordinated to any existing and future debt of the Company that is secured by liens on property and assets that do not constitute collateral, to the extent of the value of such property and assets; and (iv) structurally subordinated to any existing and future debt and other liabilities of the Company’s non-guarantor subsidiaries.

Collateral. The 2027 Convertible Notes are secured by a second priority lien on substantially all of the Company’s assets and the assets of the Subsidiary Guarantors (except for certain “Excluded Assets,” and subject to certain “Permitted Liens,” each as defined in the 2027 Convertible Notes Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 65% of the voting stock of such foreign subsidiary if the pledge thereof would result in adverse tax consequences that are material to the value of the collateral);
- all equipment, goods, inventory and fixtures owned by the Company or a Subsidiary Guarantor;
- all accounts, cash, deposit accounts and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;
- all intellectual property and other general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

No Sinking Fund. The Company is not required to make any sinking fund payments with respect to the 2027 Convertible Notes.

Optional Redemption. The Company may redeem the 2027 Convertible Notes in whole or in part, for cash. The redemption price will equal 100% of the principal amount of the 2027 Convertible Notes being redeemed, plus accrued and unpaid interest, including additional interest, if any, to, but excluding, the redemption date.

Asset Sale Offer. If the Company completes certain assets sales, the Company may be required in certain circumstances to make an offer to purchase the 2027 Convertible Notes with the net cash proceeds from such an asset sale (After the indefeasible repayment and satisfaction in full in cash of all obligations under the 10.50% 2027 Senior Secured Notes, the 10.50% 2027 Senior Secured Notes Indenture, and all other Senior Debt) at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Fundamental Change. If the Company undergoes a Fundamental Change (as defined in the 2027 Convertible Notes Indenture), subject to certain conditions, the Company may be required to purchase all or any portion of the 2027 Convertible Notes for cash. The Fundamental Change purchase price will be 100% of the principal amount of the 2027 Convertible Notes to be purchased, plus any accrued and unpaid interest, including additional interest, if any, to, but excluding, the Fundamental Change Purchase Date (as defined in the 2027 Convertible Notes Indenture). The Fundamental Change definition excludes ownership of the Company's equity by Lancer Capital LLC and its affiliates.

Certain Covenants. The 2027 Convertible Notes Indenture contains covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company's subsidiaries, to incur additional indebtedness; create liens; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain 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.

Conversion Rights. The 2027 Convertible Notes will be convertible into cash, shares of the Company's common stock, or a combination thereof, at the Company's election, based on an initial conversion rate of 23.6327 shares of common stock per \$1,000 principal amount of 2027 Convertible Notes (equivalent to an initial conversion price of approximately \$42.31 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of \$1,000 or an integral multiple of \$1.00 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the 2027 Convertible Notes Indenture) or the Company's delivery of a notice of redemption for the 2027 Convertible Notes, the Company will, in certain circumstances, be required to increase the conversion rate for a holder who elects to convert its 2027 Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption.

Events of Default. The 2027 Convertible Notes Indenture contains customary events of default, including cross-default provisions with other INNOVATE debt instruments, which could, subject to certain conditions, cause the 2027 Convertible Notes to become immediately due and payable, including, but not limited to defaults by the Company in the payment of the principal of any the 2027 Convertible Notes when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise or in the payment of interest on any note when the same becomes due and payable, and the default continues for a period of 30 days; failure to comply with certain other covenants in the 2027 Convertible Notes Indenture for a period of 60 days following notice by 2027 Convertible Notes Trustee or the holders of at least 25% in aggregate principal amount of the 2027 Convertible Notes then outstanding; failure to pay or otherwise default on material debt; or failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating \$20 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; and certain events of bankruptcy or insolvency.

2026 Convertible Notes

The original \$51.8 million aggregate principal amount of 7.50% convertible notes (the "2026 Convertible Notes") were issued under an indenture dated February 1, 2021, between the Company and U.S. Bank, as trustee. During July 2024, INNOVATE repurchased \$2.9 million principal amount of its 2026 Convertible Notes at a market discount for \$1.1 million, which was inclusive of accrued interest of \$0.1 million. As discussed above, on August 4, 2025, pursuant to the Exchange Agreements, the Company exchanged \$48.7 million aggregate principal amount of the 2026 Convertible Notes for new 2027 Convertible Notes. Subsequent to the exchanges and, as of December 31, 2025, the Company has \$0.2 million aggregate principal remaining of the 2026 Convertible Notes.

The 2026 Convertible Notes mature on August 1, 2026, unless earlier converted, redeemed or purchased. The 2026 Convertible Notes were issued in 2021 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 an initial fair value of \$12.3 million, which was recorded as a premium on the 2026 Convertible Notes. The 2026 Convertible Notes had an initial effective interest rate of 3.21%, which reflected the initial \$12.3 million premium and \$1.1 million of deferred financing fees.

As of December 31, 2025, the remaining 2026 Convertible Notes had a net carrying value of \$0.2 million. The effective interest rate on the remaining 2026 Convertible Notes as of December 31, 2025 was 3.0%. As of December 31, 2024, the 2026 Convertible Notes had a net carrying value of \$52.3 million, inclusive of an unamortized premium of \$3.8 million and unamortized deferred financing costs of \$0.4 million.

Interest is payable semi-annually in arrears on February 1st and August 1st of each year. Aggregate interest expense recognized relating to both the contractual interest coupon and amortization of discount, net of premium and deferred financing costs was \$0.9 million and \$1.7 million for the years ended December 31, 2025 and 2024, respectively.

Each \$1,000 of principal of the 2026 Convertible Notes is convertible into 23.6327 shares of INNOVATE's common stock, which is equivalent to a conversion price of approximately \$42.31 per share, for a total of 3,781 shares of common stock, as adjusted for the reverse stock split in 2024, and subject to further adjustment upon the occurrence of specified events. Based on the closing price of our common stock on December 31, 2025, the if-converted value of the 2026 Convertible Notes did not exceed its principal value.

On August 4, 2025, the Company and U.S. Bank Trust Company, National Association, as trustee (the “2026 Convertible Notes Trustee”) entered into a first supplemental indenture (the “2026 Convertible Notes Supplemental Indenture”) to the indenture, dated as of February 1, 2021, by and among the Company, the guarantors party thereto from time to time and the 2026 Convertible Notes Trustee, governing the 2026 Convertible Notes (the “2026 Convertible Notes Indenture”). The 2026 Convertible Notes Supplemental Indenture amended the 2026 Convertible Notes Indenture and the 2026 Convertible Notes to effectuate certain proposed amendments with respect to the 2026 Convertible Notes pursuant to the solicitation of consents, which amendments included eliminating substantially all of the restrictive covenants, eliminating certain events of default, modifying covenants regarding mergers and consolidations and modifying or eliminating certain other provisions, contained in the 2026 Convertible Notes Indenture and the 2026 Convertible Notes.

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”). As of both December 31, 2025 and 2024, the outstanding balance was \$20.0 million. The maturity date of the Revolving Line of Credit, as amended on August 4, 2025, is September 15, 2026. The Revolving Line of Credit has an interest rate margin applicable to loans borrowed under the Revolving Line of Credit of 5.75%, and the benchmark rates for the interest are SOFR-based rates. As of December 31, 2025 and 2024, the effective interest rate on the Revolving Line of Credit, as amended, was 10.0% and 10.6%, respectively. Interest is paid quarterly in arrears. 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 Line of Credit with MSD, and also includes a requirement for prepayment using the net cash proceeds received from certain asset sales. The affirmative and negative covenants governing the Revolving Line of Credit are substantially consistent with the affirmative and negative covenants contained in the indentures that govern the Company's senior secured notes.

On August 4, 2025, the Company and MSD entered into an Eighth Amendment to Credit Agreement, which among other things, extended the maturity of the 2020 Revolving Credit Agreement to September 15, 2026, and added a new \$0.4 million extension fee that is payable on the earlier of maturity date or date of prepayment of the debt.

The August 4, 2025 amendment was determined to be a modification of debt under ASC 470-50, as the product of the borrowing capacity and remaining term of the amended Revolving Line of Credit was greater than the product of the borrowing capacity and remaining term of the Revolving Line of Credit under the terms immediately prior to the amendment. As such, the \$0.4 million extension fee and third-party legal costs of \$0.3 million incurred under the amendment will be amortized into interest expense over the term of the Revolving Line of Credit.

Revolving Credit Agreement Terms and Conditions

Ranking. Obligations under the Revolving Credit Agreement constitute First-Out Debt, as defined in the Secured Indenture, and are secured on a pari passu basis with the 2027 Senior Secured Notes.

Collateral: As provided under a Collateral Trust Joinder, the lender was added as a secured party to the Collateral Trust Agreement, and accordingly the pari passu obligations and commitments under the Revolving Credit Agreement are secured equally and ratably by the collateral of the Secured Notes.

Any failure to comply with the restrictions in the agreements governing the Company's indentures, or any agreement governing other indebtedness the Company could incur, may result in an event of default under those agreements. Such default may allow the creditors to accelerate the related debt, which acceleration may trigger cross-acceleration or cross-default provisions in other debt.

CGIC Promissory Note

On August 4, 2025, the Company and CGIC entered into a Subordinated Secured Promissory Note to, among other things, extend the maturity of its existing subordinated unsecured promissory note with CGIC (the “CGIC Note”) from February 28, 2026 to April 30, 2027, and secure the amended CGIC Note by a third priority lien on the same collateral securing the 10.50% 2027 Senior Secured Notes and the 2027 Convertible Notes. The amended CGIC Note has an interest rate of 16.0%, and an effective interest rate of 14.6% as of December 31, 2025. Interest on the amended CGIC Note will be paid monthly and in kind through August 31, 2026. All interest payments thereafter will be payable in cash, in arrears. As part of the agreement with CGIC, the accrued value of 8,063 shares of Series A-4 Preferred Stock of the Company held by CGIC, and unpaid accrued dividends for the A-3 and A-4 Preferred Stock were exchanged for an additional principal amount of the CGIC Note, on a dollar-for-dollar basis (the “Preferred Stock Exchange”). The additional principal amount incurred under the Preferred Stock Exchange was \$9.6 million (reflective of the \$9.1 million accrued value of the Series A-4 Preferred Stock and \$0.5 million in accrued dividends on the Series A-3 and A-4 Preferred Stock). In addition, an extension fee and accrued interest of \$2.4 million on the CGIC Note through July 31, 2025, were capitalized to the new principal amount of the CGIC Note, for a total new aggregate outstanding principal amount of \$43.0 million.

The original CGIC subordinated unsecured promissory note, which was entered into in 2023 in connection with the redemption of DBM Global Intermediate Holdco Inc.'s Series A Fixed-to-Floating Rate Perpetual Preferred Stock (the "DBMGI Series A Preferred Stock"), had a principal amount of \$35.1 million, an original maturity date of February 28, 2026, and bore interest at 9.0% per annum through May 8, 2024, 16.0% per annum from May 9, 2024 to May 8, 2025, and 32.0% per annum thereafter. As of December 31, 2024, the effective interest rate on the note, as adjusted, was 17.5%. The CGIC note required a mandatory prepayment from the proceeds from certain asset sales and the greater of \$3.0 million or 12.5% of the net proceeds from certain equity sales. As a result of the closing of the rights offering and concurrent private placement in 2024 (refer to Note 16. Equity and Temporary Equity), INNOVATE redeemed \$4.1 million of the CGIC Note on April 26, 2024. The mandatory prepayment requirement for certain equity sales was removed under the August 4, 2025 amendment.

The August 4, 2025 amendment, including the Preferred Stock Exchange, was determined to be a troubled debt restructuring under ASC 470-60, because INNOVATE was deemed to be experiencing financial difficulty, and according to the substantial changes under the amendment, the lender was deemed to have granted a concession. However, no gain or loss on the amendment was recorded, as the future undiscounted cash flows under the amended terms were greater than the net carrying value of the note, preferred stock and accrued dividends prior to the amendment. A new effective interest rate was established based on the carrying values of the original debt, preferred stock, accrued dividends, and the revised future cash flows, which is inclusive of the extension fee. The new extension fee was recorded as an OID to the carrying amount of the note and is being amortized into interest expense over the term of the CGIC Note using the effective interest rate method.

For the years ended December 31, 2025 and 2024, interest expense recognized relating to the CGIC Note, including the contractual interest coupon and amortization of the discount, was \$5.9 million and \$5.7 million, respectively, and cash paid for interest to CGIC was \$3.2 million and \$4.6 million, respectively. Subsequent to August 4, 2025, in accordance with the terms of the amended CGIC Note, \$2.9 million of interest was capitalized into the principal balance. As of December 31, 2025, the total carrying amount related to the note was \$46.8 million, inclusive of \$45.9 million of principal (including capitalized interest) and a net unamortized premium of \$0.9 million. As of December 31, 2024, the total carrying amount of the note was \$31.0 million and accrued interest payable was \$3.4 million.

CGIC Note Terms and Conditions

Issue Price. The issue price of the CGIC Note was 100% of par.

Ranking. The note is a part of the Company's general unsecured and unsubordinated obligations and will rank equally in right of payment with all of the Company's existing and future unsecured and unsubordinated indebtedness, and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the notes. The notes will be effectively subordinated to all of the Company's existing and future secured indebtedness, including the Company's 2027 10.50% Senior Secured Notes, 2026 8.50% Senior Secured Notes, 2027 Convertible Notes, 2026 Convertible Notes and structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries, including trade credit.

Mandatory Prepayments. After the indefeasible repayment and satisfaction in full in cash of all obligations under the 10.50% 2027 Senior Secured Notes, the 10.50% 2027 Senior Secured Notes Indenture, the 2027 Convertible Notes, the 2027 Convertible Notes Indenture and all other Senior Debt (or, in each case, under any refinancing indebtedness in respect thereof), the Company must prepay the CGIC Note (together with all accrued and unpaid interest and all other amounts payable under the CGIC Note) upon the occurrence of an Asset Sale (as defined in the agreement), in an amount equal to the Net Cash Proceeds (as defined in the agreement) from such Asset Sale, with such prepayment due no later than two (2) Business Days after the receipt of such Net Cash Proceeds by the Company (or its subsidiary, if applicable) from such Asset Sale.

Optional Prepayments. Subject to subordination to the Company's Senior Debt, and as long as the Borrower is not in default on any of the Senior Debt and such payment does not result in default on any of the Senior Debt, the Company may prepay the CGIC Note in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid together with accrued and unpaid interest thereon to the date of prepayment and all other amounts payable under this CGIC Note.

Events of Default. The note contains customary events of default and contains cross-default provisions with other INNOVATE debt instruments which could, subject to certain conditions, cause the note to become immediately due and payable.

INNOVATE is in compliance with its debt covenants as of December 31, 2025.

12. Income Taxes

The income tax expense (benefit) for income taxes for the years indicated were as follows (in millions):

	Year Ended December 31,	
	2025	2024
Current tax expense		
Federal	\$ (1.0)	\$ 0.6
State	2.6	4.5
Foreign	1.0	0.7
Net current tax expense	\$ 2.6	\$ 5.8
Deferred tax expense (benefit)		
Federal	\$ 0.3	\$ 0.2
Foreign	(0.4)	0.3
Net deferred tax (benefit) expense	\$ (0.1)	\$ 0.5
Income tax expense	<u>\$ 2.5</u>	<u>\$ 6.3</u>

The US and foreign components of income (loss) from continuing operations before income taxes for the years indicated were as follows (in millions):

	Year Ended December 31,	
	2025	2024
US	\$ (63.3)	\$ (36.1)
Foreign	1.8	2.7
Loss from continuing operations before income taxes	<u>\$ (61.5)</u>	<u>\$ (33.4)</u>

The following table is a reconciliation of the U.S. federal statutory rate of 21% to the Company's effective rate for the year ended December 31, 2025 in accordance with the guidance in ASU No. 2023-09 (in millions):

	Year Ended December 31, 2025	
	Amount	Percent
Tax (benefit) at federal statutory rate	\$ (12.9)	21.0 %
State tax, net of federal benefit ⁽¹⁾	1.9	(3.1)%
Foreign Tax Effects	0.3	(0.5)%
Increase (decrease) in valuation allowance	12.7	(20.7)%
Non-taxable or non-deductible items:		
Non-deductible meals and entertainment	0.7	(1.1)%
Other Adjustment:		
Other	(0.2)	0.3 %
Income tax expense	<u>\$ 2.5</u>	<u>(4.1)%</u>

(1) State taxes in New York, California, and Louisiana made up the majority (greater than 50%) of the tax effect in this category.

The following table is a reconciliation of the U.S. federal statutory rate of 21% to the Company's effective rate for the years ended December 31, 2024 in accordance with the guidance prior to the adoption of ASU 2023-09 (in millions):

	Year Ended December 31,	
	2024	
	Amount	
Tax (benefit) at federal statutory rate	\$	(7.0)
State tax, net of federal benefit		(1.3)
Non-deductible meals and entertainment		0.5
Executive and stock compensation		2.1
Increase (decrease) in valuation allowance		19.8
Tax rate changes		(4.9)
Return to provision		(3.8)
Other		0.9
Income tax expense	<u>\$</u>	<u>6.3</u>

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Income tax expense of \$2.5 million for the year ended December 31, 2025, primarily relates to the tax expense for taxpaying entities for which there was a decrease in tax expense due to the decrease in pre-tax results. Additionally, the tax benefits associated with losses generated by 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.

Income tax expense of \$6.3 million for the year ended December 31, 2024, primarily relates to the tax expense for taxpaying entities, for which there was an increase in current federal tax expense due to INNOVATE's U.S. consolidated group utilizing its remaining unlimited NOLs in 2024 and due to the Tax Cuts and Jobs Act's 80% 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 the Company does not believe it is more-likely-than-not that the losses will be utilized prior to expiration.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted into law, introducing various changes to U.S. federal income tax provisions, including modifications to bonus depreciation, interest expense limitations, and the treatment of research and development expenditures. Under ASC 740, the effects of newly enacted tax legislation must be recognized in the period that includes the enactment date. Management has evaluated the provisions of the OBBBA and their current and potential impact on the financial statements. Based on this evaluation, the Company does not expect the OBBBA to have a material effect on the current or deferred income tax balances, effective tax rate, or overall financial position. The effects of the legislation have been reflected in the Company's income tax provision for the year ended December 31, 2025. The Company will continue to monitor developments and assess the impact of the OBBBA as additional guidance becomes available and as facts and circumstances evolve.

The following table presents income taxes paid, net of refunds, for the year ended December 31, 2025, based on the adoption of ASU 2023-09 (in millions):

	Year Ended December 31, 2025	
	Amount	Percent
Federal	\$ 0.9	14.0 %
State:		
California	1.5	23.4 %
New York	1.2	18.8 %
Louisiana	0.8	12.5 %
Other state jurisdictions	1.2	18.8 %
Foreign:		
Canada	0.5	7.8 %
Other foreign jurisdictions	0.3	4.7 %
Total income taxes paid, net of refunds	<u>\$ 6.4</u>	<u>100.0 %</u>

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Deferred income taxes reflect the net income tax effect of temporary differences between the basis of assets and liabilities for financial reporting purposes and for income tax purposes. Net deferred tax balances as of the years indicated were comprised of the following (in millions):

	December 31,	
	2025	2024
Net operating loss carryforwards	\$ 81.6	\$ 79.2
Basis difference in fixed assets	0.4	0.4
Deferred compensation	7.6	8.1
Sec. 163(j) carryforward	74.4	68.3
Deferred Interest	4.3	—
Lease liability	15.5	15.7
Investment in partnership	10.5	10.8
Other deferred tax assets	8.1	8.1
Total deferred tax assets	<u>202.4</u>	<u>190.6</u>
Valuation allowance	<u>(138.6)</u>	<u>(128.9)</u>
Total net deferred tax assets	<u>\$ 63.8</u>	<u>\$ 61.7</u>
Basis difference in fixed assets	(17.0)	(16.4)
Right-of-use assets	(14.7)	(15.0)
Basis difference in intangibles	(32.7)	(30.4)
Lease termination	(0.7)	(1.5)
Other deferred tax liabilities	(1.4)	(1.2)
Total deferred tax liabilities	<u>\$ (66.5)</u>	<u>\$ (64.5)</u>
Net deferred tax liabilities	<u>\$ (2.7)</u>	<u>\$ (2.8)</u>
Net deferred tax asset per Consolidated Balance Sheet	\$ 2.0	\$ 1.6
Deferred tax liabilities per Consolidated Balance Sheet	4.7	4.4
Total net deferred tax liabilities	<u>\$ (2.7)</u>	<u>\$ (2.8)</u>

Deferred tax assets refer to assets that are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets in essence represent future savings of taxes that would otherwise be paid in cash. The realization of the deferred tax assets is dependent upon the generation of sufficient future taxable income, including capital gains. If it is determined that the deferred tax assets cannot be realized, a valuation allowance must be established, with a corresponding charge to net income (loss).

The Company records valuation allowances for deferred tax assets when, based on management's judgment, it is more likely than not that such assets will not be realized. This assessment is based on projections of future income or loss and other positive and negative evidence by individual tax jurisdiction. Changes in industry and economic conditions and the competitive environment may impact these projections. During each reporting period, the Company assesses the likelihood that its deferred tax assets will be realized and determines if adjustments to its valuation allowances are appropriate.

Management evaluated the need to maintain the valuation allowance against the deferred taxes of the INNOVATE Corp. U.S. consolidated tax group ("the group") for each of the reporting periods based on the positive and negative evidence available. The objective negative evidence evaluated was the group's historical operating results over the prior three-year period. The group is in a cumulative three-year loss as of December 31, 2025, which provides negative evidence that is difficult to overcome and would require a substantial amount of objectively verifiable positive evidence of future income to support the realizability of the group's deferred tax assets. While positive evidence exists by way of unrealized gains in the Company's investments, management concluded that the negative evidence outweighs the positive evidence. Thus, it is more likely than not that the group's US deferred tax assets will not be realized. However, as the Company executes potential sales of subsidiaries, management expects that such event would likely provide sufficient positive evidence to support the realization of certain deferred tax assets, which could result in a material release of the Company's valuation allowance.

Valuation allowances have been maintained against deferred tax assets based on losses generated by certain businesses that are not included in the INNOVATE Corp. U.S. consolidated income tax return. Generally, consolidation rules under the Internal Revenue Code require consolidation of like-kind entities with an 80% or greater equity ownership, and each individual state or foreign jurisdiction has their own distinct consolidation rules which vary.

As of December 31, 2025, the Company has not recognized any deferred tax liabilities associated with undistributed earnings of its foreign subsidiaries, as these earnings are considered permanently reinvested. Determination of the amount of unrecognized deferred income tax liability is not practicable due to the complexities associated with its hypothetical calculation. Upon distribution of those earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and withholding taxes payable in various foreign jurisdictions, which could potentially be offset by foreign tax credits.

Net Operating Losses

At December 31, 2025, the Company had gross U.S. net operating loss ("NOL") carryforwards available to reduce future taxable income of the U.S. consolidated group in the amount of \$176.3 million. The Company expects that approximately \$123.0 million of the gross U.S. NOL carryforwards would be available to offset taxable income in 2026 and later periods. This estimate may change based on changes to actual results reported on the 2025 U.S. tax return. The amount of U.S. NOL 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 Internal Revenue Service ("IRS").

Due to U.S. enacted Public Law 115-97, known informally as the Tax Cuts and Jobs Act (the "TCJA") in 2017, U.S. NOL carryforwards in the amount of \$141.8 million, generated after 2017 have an indefinite carryforward period. U.S. NOL carryforwards, in the amount of \$34.5 million, generated prior to 2018 will expire, if unused, by 2037.

Additionally, as of December 31, 2025, the Company had \$164.3 million of gross U.S. NOL carryforwards from its subsidiaries that do not qualify to be included in the INNOVATE U.S. consolidated income tax return, including \$115.7 million from R2 Technologies, \$45.9 million from DTV, and other entities of \$2.7 million. Of the \$164.3 million of gross U.S. NOL carryforwards, \$128.2 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.

Pursuant to the rules under Section 382, the Company concluded that it underwent an ownership change on May 29, 2014 and \$46.1 million gross U.S. NOLs recorded in the consolidated financial statements are subject to an annual limitation under IRC Sec. 382 of approximately \$2.3 million.

The purchase of GrayWolf on November 30, 2018 triggered a Section 382 ownership change. \$57.1 million of gross U.S. NOLs acquired are subject to an annual limitation between \$3.0 million and \$4.0 million for the first five years beginning in 2019 and \$1.1 million afterwards. \$25.4 million of the GrayWolf U.S. NOLs subject to Section 382 were generated in 2018, and, therefore, they do not expire.

Additionally, the Company has \$11.4 million of acquired U.S. NOLs from DTV America, which is subject to an annual limitation under Section 382 of the Internal Revenue Code.

As of December 31, 2025, the Company had foreign operating loss carryforwards of approximately \$0.6 million.

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 December 31, 2025 and 2024, related to uncertain tax positions that would impact the effective income tax rate if recognized. The Company has reduced the NOL carryforward by \$58.7 million for uncertain tax positions based on our interpretation of tax laws and regulations that are subject to varied interpretations by the IRS.

Below is a tabular reconciliation of the total amount of unrecognized tax benefits as of the years indicated (in millions):

	Year Ended December 31,	
	2025	2024
Uncertain tax benefits - January 1	\$ 17.6	\$ 17.6
Gross decreases - Tax positions in prior year	—	—
Uncertain tax benefits - December 31	\$ 17.6	\$ 17.6

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 2002-2024 remain open for examination.

The Company is currently under examination in various state 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.

13. Commitments and Contingencies

Unrecorded future minimum purchase commitments as of December 31, 2025, were as follows (in millions) :

2026	\$	362.0
2027		0.1
2028		0.1
2029		0.1
Total commitments	<u>\$</u>	<u>362.3</u>

The Company's future minimum purchase commitments are primarily for materials and subcontractor costs to be used in its construction projects. The amounts are fixed and determinable and do not include variable components.

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 Consolidated Financial Statements. Such legal matters may include, but is not limited to, actions or claims relating to sensitive data, including proprietary business information and intellectual property, personally identifiable information of employees and contractors, cyber-attacks, data breaches and non-compliance with contractual or other legal obligations. Litigation and other legal matters are inherently unpredictable and subject to substantial uncertainties and adverse resolutions could occur. In addition, litigation and other legal matters, including class-action lawsuits, government investigations and regulatory proceedings can be costly to defend and, depending on the class size and claims, could be costly to settle. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its Consolidated Financial Statements. The Company records a liability in its Consolidated Financial Statements for these matters when a loss is known or considered probable and the amount can be reasonably 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 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 Consolidated Financial Statements. Any legal or other expenses associated with the litigation are accrued for as the expenses are incurred. The Company maintains liability insurance that insures it against workers' compensation, personal and bodily injury, property damage, directors' and officers' liability, errors and omissions, cyber liability, and employment practices liability. There can be no assurance that the liability insurance will cover all events or that the limits of coverage will be sufficient to fully cover all liabilities.

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.

GrayWolf Collective Action Claim

On March 24, 2026, a subsidiary of DBM Global, GrayWolf Integrated Construction Company, received a draft of a purported Collective Action Complaint entitled *Hilario Riviera, Individually and for Others Similarly Situated v. GrayWolf Integrated Construction Company* (the "Draft Complaint") alleging that GrayWolf failed to properly pay Riviera for all hours worked because GrayWolf automatically rounded the punch in and punch out times for work to the nearest half hour for GrayWolf's own primary benefit and to the detriment of Riviera and other hourly employees. The Draft Complaint also states that GrayWolf paid Riviera and other hourly employees "per diems," not reasonably calculated to reimburse expenses and based on time worked, but GrayWolf excluded "per diems" from their regular rate of pay for overtime purposes. The action is purported to be brought under the Fair Labor Standards Act (the "FLSA") on behalf of hourly employees for the last three years who had wages rounded or received "per diems". GrayWolf intends to enter into a "Tolling Agreement" with the Plaintiff to stay any statute of limitations while GrayWolf investigates this matter and expects that it will vigorously contest the allegations. Accordingly, the Company cannot reasonably estimate any range of potential loss at this time.

Other Commitments and Contingencies

Letters of Credit and Performance Bonds

As of December 31, 2025, DBMG had outstanding letters of credit of \$0.1 million under credit and security agreements and performance bonds of \$680.2 million. As of December 31, 2024, DBMG had outstanding letters of credit of \$0.1 million under credit and security agreements and performance bonds of \$183.9 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+, AA- and AA.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company maintains all cash and cash equivalents at accredited financial institutions, in amounts that exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company held \$7.6 million and \$5.5 million of cash and restricted cash in foreign accounts as of December 31, 2025 and 2024, respectively, none of which is covered by the Federal Deposit Insurance Corporation ("FDIC"). The Company attempts to minimize the risks related to cash and cash equivalents by investing in a range of financial instruments as defined by the Company. Concentrations of credit risk with respect to accounts receivable are limited by the large number of customers comprising the Company's customer base and their geographic and business dispersion. In addition, concentrations of credit risk at DBM with respect to receivables are limited as the Company's customers tend to be larger general contractors and subcontractors on adequately funded projects and the Company has certain lien rights. The Company performs ongoing credit evaluations of the customers' financial condition and generally does not require collateral to support customer receivables.

The Company's revenue, accounts receivable and accounts payable concentrations of 10% and greater were as follows:

	Segment	Year Ended December 31,					
		2025			2024		
		Revenue	Accounts Receivable	Accounts Payable	Revenue	Accounts Receivable	Accounts Payable
Customer A	Infrastructure	13.1%	29.6%		*	*	
Customer B	Infrastructure	*	10.2%		*	*	
Customer C	Infrastructure	*	*		14.4%	*	
Customer D	Infrastructure	*	*		10.3%	*	
Customer E	Infrastructure	*	*		*	10.3%	
Supplier A	Infrastructure			23.3%			*
Supplier B	Infrastructure			*			15.2%
Supplier C	Infrastructure			*			15.5%

*Less than 10% concentration

14. Employee Retirement Plans

401(k) Plans

The Company and various subsidiaries maintain 401(k) retirement savings plans which cover eligible employees, including for certain union steelworkers, and permit participants to contribute to the plans, subject to Internal Revenue Code restrictions and which feature matching contributions of various percentages of the first 3% to 5% of employee annual salary contributions, depending on the subsidiary. The Company made aggregate matching contributions of \$2.9 million for the year ended December 31, 2025, of which \$1.3 million was reflected as a component of Cost of revenue in the Consolidated Statements of Operations, and \$1.6 million was reflected as a component of Selling, general and administrative in the Consolidated Statements of Operations. The Company made aggregate matching contributions of \$2.8 million for the year ended December 31, 2024, of which \$1.1 million was reflected as a component of Cost of revenue in the Consolidated Statements of Operations, and \$1.7 million was reflected as a component of Selling, general and administrative in the Consolidated Statements of Operations.

Multi-Employer Plans

Certain of the Company's Infrastructure segment workforce are subject to collective bargaining agreements. The Company contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 ("the Act") may, under certain circumstances, cause the Company to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon termination, withdrawal, or partial withdrawal from the plans. Under the Act, liabilities would be based upon the Company's proportionate share of each plan's unfunded vested benefits.

The Company made contributions to various multi-employer pension plans totaling \$6.5 million and \$9.8 million during the years ended December 31, 2025 and 2024, respectively, which was reflected as a component of Cost of revenue in the Consolidated Statements of Operations. Amounts contributed to the multi-employer pension plans can vary depending on a combination of when and in which state the erection phase of the Company's projects occur. The decrease in contributions for the year ended December 31, 2025 was due to the timing of work being done on the erection phase of our projects in states with higher contribution rates such as California and New York. As of December 31, 2025, approximately 23.9% of DBMG's employees are covered under various collective bargaining agreements. As of December 31, 2025, most of the Infrastructure segment's collective bargaining agreements are subject to automatic annual or other renewal unless either party elects to terminate the agreement on the scheduled expiration date.

15. Share-based Compensation

On April 11, 2014, INNOVATE's Board of Directors adopted the INNOVATE Corp. Omnibus Equity Award Plan (the "2014 Plan"), which was originally approved at the annual meeting of stockholders held on June 12, 2014. On April 21, 2017, the Board of Directors, subject to stockholder approval, adopted the Amended and Restated 2014 Omnibus Equity Award Plan (the "Restated 2014 Plan"). The Restated 2014 Plan was approved by INNOVATE's stockholders at the annual meeting of stockholders held on June 14, 2017. Subject to adjustment as provided in the Restated 2014 Plan, the Restated 2014 Plan authorized the issuance of 3,500,000 shares of common stock of INNOVATE, plus any shares that again become available for awards under the 2014 Plan, plus any shares that again become available for awards under the Restated 2014 Plan.

On April 20, 2018, the Board of Directors, subject to stockholder approval, adopted the Second Amended and Restated 2014 Omnibus Equity Award Plan (the "Second A&R 2014 Plan"). The Second A&R 2014 Plan was approved by INNOVATE's stockholders at the annual meeting of stockholders held on June 13, 2018. Subject to adjustment as provided in the Second A&R 2014 Plan, the Second A&R 2014 Plan authorized the issuance of up to 3,500,000 shares of common stock of INNOVATE, plus any shares that again become available for awards under the 2014 Plan or the Restated 2014 Plan.

The Second A&R 2014 Plan provides that no further awards will be granted pursuant to the 2014 Plan or the Restated 2014 Plan. However, awards previously granted under either the 2014 Plan or the Amended 2014 Plan will continue to be subject to and governed by the terms of the 2014 Plan and Amended 2014 Plan, respectively. The Compensation Committee of INNOVATE's Board of Directors administers the 2014 Plan, the Amended 2014 Plan and the Second A&R 2014 Plan and has broad authority to administer, construe and interpret the plans. The Second A&R 2014 Plan provides for the grant of awards of non-qualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock based awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. The Company typically issues new shares of common stock upon the exercise of stock options, as opposed to using treasury shares.

On September 30, 2024, the Board of Directors adopted, subject to stockholder approval, an amendment to the Second A&R 2014 Plan to increase the number of shares of the Company's common stock, par value \$0.001 per share, available for issuance thereunder to 1,300,000 (the "Plan Amendment"). Prior to the adoption by the Board of Directors, there were a total of 101,943 shares of common stock available for future award under the "Second A&R 2014 Plan. The Plan Amendment was approved by holders of a majority in voting power on October 4, 2024, by written consent in lieu of a special meeting, and was effective as of October 29, 2024. As of December 31, 2025, 97,895 shares for awards remain available for issuance under the Second A&R 2014 Plan, as amended.

Total share-based compensation expense recognized by the Company and its subsidiaries under all equity compensation arrangements was \$2.7 million and \$3.4 million for the years ended December 31, 2025 and 2024, respectively, which is included within Selling, general and administrative expenses in the Consolidated Statements of Operations.

All grants are time based and vest either immediately or over a period established at grant, typically with a requisite service period of one to three years for a member of the Board of Directors or an employee to vest in the share-based award, subject to discretion by Compensation Committee. 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 and Restricted Stock Units

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested - December 31, 2024	294,663	\$ 8.12
Granted	278,389	\$ 5.90
Vested	(246,355)	\$ 8.05
Forfeited	(12,521)	\$ 7.99
Unvested - December 31, 2025	<u>314,176</u>	<u>\$ 6.22</u>

The aggregate vesting date fair value of the restricted stock and restricted stock units which vested during the years ended December 31, 2025 and 2024, was \$1.3 million and \$0.9 million, respectively. As of December 31, 2025, the total unrecognized share-based compensation expense related to unvested restricted stock and restricted stock units was \$1.1 million and is expected to be recognized over the remaining weighted-average period of 0.9 years.

Stock Options

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

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding - December 31, 2024	217,733	\$ 16.94
Granted	100,000	\$ 5.67
Outstanding - December 31, 2025	<u>317,733</u>	<u>\$ 13.39</u>
Exercisable - December 31, 2024	117,733	\$ 27.74
Exercisable - December 31, 2025	217,733	\$ 16.94

As of December 31, 2025, the intrinsic value and weighted-average remaining life of the Company's outstanding and exercisable stock options were \$30 thousand and approximately 8.4 years, respectively. The maximum contractual term of the Company's exercisable stock options is approximately ten years. As of December 31, 2025, there were 100,000 unvested stock options and \$0.2 million of unrecognized share-based compensation expense related to unvested stock options and is expected to be recognized over the remaining period of 0.8 years.

Interim CEO Equity Awards

On October 29, 2024, when the Plan Amendment became effective, the following awards, which were previously awarded to the Company's Interim Chief Executive Officer ("Interim CEO") and subject to stockholder approval of the Plan Amendment, became effective: (i) 95,322 of restricted stock unit awards ("RSUs"), which were awarded on October 11, 2023; (ii) 100,000 stock option awards with a strike price of \$25.00 (as retroactively adjusted for the Reverse Stock Split in 2024) and an expiration date of September 15, 2033, which were awarded on September 15, 2023; (iii) 142,857 of RSUs, which were awarded on August 19, 2024; and (iv) 100,000 stock option awards with a strike price of \$4.22 and an expiration date of September 15, 2034, which were awarded on September 15, 2024.

On August 6, 2025, the Interim CEO was awarded 176,056 restricted stock awards ("RSAs") that vest on August 6, 2026. On September 15, 2025, the Interim CEO was awarded 100,000 stock option awards with a strike price of \$5.67 and expiration date of September 15, 2035.

The fair value of each stock option award was determined on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	Year Ended December 31,	
	2025	2024
Stock price at date of grant	\$ 4.75	\$ 6.27
Expected term	5.5 years	5.1 years -5.6 years
Risk-free interest rate	3.7 %	4.1 %
Expected volatility	88.4 %	80.9% -82.7%
Expected dividend yield	— %	— %
Grant date fair value per option	\$ 3.34	\$2.67 -\$4.75

The expected option term of the Company's "plain vanilla" stock options granted reflect the application of the simplified method, as prescribed by *Staff Accounting Bulletin Topic 14*. The simplified method was used as the Company does not believe it has sufficient historical exercise data to provide a reasonable basis for the expected term of its stock option grants. The simplified method will be used until such time as the Company has stock option exercise experience in which to reasonably determine the expected life. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Volatility and expected dividend yield are calculated using INNOVATE's historical volatility and dividend history.

16. Equity and Temporary Equity

2024 Rights Offering and Concurrent Private Placement

On March 8, 2024, the Company commenced a rights offering ("Rights Offering"), in which 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"), were granted rights to purchase common stock. In connection with the Rights Offering, the Company entered into an Investment Agreement with Lancer Capital (the "Investment Agreement"), pursuant to which Lancer Capital agreed to purchase up to \$19.0 million of Series C Preferred Stock as a backstop to the Rights Offering (the "Backstop Commitment") and to purchase \$16.0 million of Series C Preferred Stock in a private placement transaction ("Concurrent Private Placement"). Lancer Capital is an investment fund led by Avram A. Glazer, the Chairman of the Board and the Company's largest stockholder. 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." On April 24, 2024, the Company completed and closed on the Rights Offering and issued a total of 530,611 shares of common stock for \$3.7 million. In addition, Lancer Capital purchased an additional approximately 6,286 Series C Preferred Stock for \$6.3 million under the Backstop Commitment. In total, the Company received \$35.0 million in aggregate gross proceeds related to the Rights Offering and Concurrent Private Placement and incurred \$1.8 million in dealer manager fees and other related costs which were capitalized into Additional paid in capital ("APIC"). On June 18, 2024, the Company's shareholders approved the conversion of the Series C Preferred Stock into common stock, and approximately 31,286 shares of Series C Preferred Stock, which were held by Lancer Capital, were converted into 4,469,390 shares of common stock, and there were no shares of the Series C Preferred Stock outstanding subsequent to their conversion into the Company's common stock.

The Series C Preferred Stock was 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 could be effected prior to the completion of the stockholder vote and the satisfaction of any other regulatory requirements. Prior to the conversion, the holder of the Series C Preferred Stock was entitled to receive dividends anytime the Company declared a dividend on its common stock (excluding dividends consisting in whole or in part of common stock). The dividend amount would be based on the number of shares (including fractions) of common stock into which the shares of Series C Preferred Stock were convertible on the applicable record date multiplied by the dividend per share declared on the Company's common stock. On September 30, 2024, the Company filed a Certificate of Elimination to its Second Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, eliminating from the Second Amended and Restated Certificate of Incorporation all matters set forth in the Certificate of Designation with respect to its Series C Preferred Stock, no shares of which were then issued and outstanding.

Reverse Stock Split

On August 8, 2024, the Company effected a 1-for-10 reverse stock split of its issued and outstanding common stock (the “Reverse Stock Split”) following stockholder approval. The Reverse Stock Split was implemented for the primary purpose of regaining compliance with the minimum bid price requirement for continued listing of the Company’s common stock on the NYSE. The Reverse Stock Split did not change the \$0.001 par value per share of the common stock. As a result of the Reverse Stock Split, the number of outstanding common shares was reduced from 130,529,931 to 13,166,057, inclusive of an additional 113,064 incremental whole shares issued for fractional shares. Unless noted, all share and per share amounts of common stock, options and restricted stock and any associated debt or preferred stock conversion rates contained in the historical periods, prior to the date of the Reverse Stock Split, presented within these Consolidated Financial Statements have been retroactively adjusted to reflect the 1-for-10 Reverse Stock Split as if it had occurred at the beginning of the earliest period presented.

Preferred Shares

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

	December 31,	
	2025	2024
Preferred shares authorized, \$0.001 par value	20,000,000	20,000,000
Series A-3 shares issued and outstanding	6,125	6,125
Series A-4 shares issued and outstanding	1,937	10,000

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 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 mature on July 1, 2026.

On August 4, 2025, INNOVATE closed on a Preferred Stock Exchange with CGIC that resulted in the redemption of 8,063 shares of Series A-4 Preferred Stock of the Company and unpaid accrued dividends for the A-3 and A-4 Preferred Stock for an additional principal amount of the CGIC Note. Refer to Note 11. Debt Obligations for additional information.

Since the time of issuance of the Series A-3 and Series A-4 Preferred Stock on July 1, 2021, the Series A-3 and Series A-4 Preferred Stock have been classified as temporary equity in the Company's Consolidated Balance Sheet. After giving effect to the Preferred Stock Exchange in August 2025, the Series A-3 and A-4 Preferred Stock have a combined redemption value of \$9.3 million and a current fair value of \$9.6 million as of December 31, 2025, which is inclusive of accreted dividends and \$0.3 million in accrued cash dividends.

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, or (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.

During the three months ended March 31, 2025, 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):

2025	March 31, 2025
Declaration Date and Holders of Record Date	March 31, 2025
Payment Date	April 15, 2025
Total Dividend	\$ 0.3

During the second, third, and fourth quarters of 2025, the Board did not declare any cash dividends with respect to INNOVATE's issued and outstanding Series A-3 Preferred Stock and Series A-4 Preferred Stock. Aggregate quarterly dividends of \$0.7 million, \$0.5 million, and \$0.4 million for the second, third, and fourth quarters of 2025, respectively, included the annual cash dividend of 7.5% per annum which was accrued and also the accreting dividend of 7.25% per annum.

In addition, during the second quarter of 2025, the Company recorded the accretion and accrual of additional dividends of \$1.3 million related to prior years, and \$0.2 million related to the first quarter of 2025. This included cumulative accreting dividends, which were recorded following the determination that such dividends had accreted due to the daily VWAP of the Company's common stock trading at less than \$1 at various dates since 2022, as adjusted for the 2024 Reverse Stock Split. These adjustments during the second quarter of 2025 that related to prior years resulted in: (i) an increase in the accrued value of the preferred stock of \$1.3 million; (ii) a decrease in Additional Paid-In Capital (APIC) of \$1.3 million; (iii) an increase in accrued liabilities of \$0.1 million; and (iv) an increase in net loss attributable to common shareholders of \$1.3 million. The Company evaluated the effects of the adjustment, both qualitatively and quantitatively, and does not believe the adjustment was material to any current or prior interim or annual periods that were affected.

On August 4, 2025, \$0.5 million in accrued quarterly dividends was exchanged for an additional principal amount of the CGIC note as part of the Preferred Stock Exchange. Refer to Note 11. Debt Obligations for additional information.

During the year ended December 31, 2024, 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):

2024

Declaration Date and Holders of Record Date	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024
Payment Date	April 15, 2024	July 15, 2024	October 15, 2024	January 15, 2025
Total Dividend	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3

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 historically paid cash dividends on its Series A-3 and Series A-4 Preferred Stock and expects to continue to either accrete and accrue or pay such dividends each quarter.

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. As of December 31, 2025, each share of the Series A-3 Preferred Stock was convertible at an accrued value of \$1,000 per share, divided by the conversion price of \$23.63 (as it may be adjusted from time to time, the "Series A-3 Conversion Price"), and each share of Series A-4 Preferred Stock was convertible at an accrued value of \$1,000 per share divided by the conversion price of \$34.40 (as it may be adjusted from time to time, the "Series A-4 Conversion Price") (collectively the "Conversion Prices"). The Conversion Prices have historically been adjusted from time to time and continue to be subject to potential adjustment for dividends, certain distributions, reverse stock splits or 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).

As of December 31, 2025, the Series A-3 Preferred Stock and Series A-4 Preferred Stock, including the accrued value of accreting dividends, were convertible into 299,518 and 65,075 shares, respectively, of INNOVATE's common stock. As of December 31, 2024, the Series A-3 Preferred Stock and Series A-4 Preferred Stock were convertible into 259,212 and 290,672 shares, respectively, of INNOVATE's common stock.

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, out of legally available funds, 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 the Company's Third Amended and Restated Certificate of Incorporation) 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 and 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 and 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 20 trading days out of the thirty trading day period used to calculate the 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 the Company's Third Amended and Restated Certificate of Incorporation. 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.

Spectrum Redeemable Non-Controlling Interests

Refer to Note 11. Debt Obligations for information regarding the Company's Spectrum Segment's redeemable non-controlling interests.

R2 Technologies Non-Controlling Interests

The Company has non-redeemable and redeemable non-controlling interests related to R2 Technologies in the form of common stock as well as convertible preferred stock that is redeemable upon the occurrence of a change in control, as defined in the respective agreements. If an event is not solely within the control of the Company, it is classified outside of permanent equity in the mezzanine section of the Company's Consolidated Balance Sheets. The Company adjusts the carrying value of the non-controlling interests based on an allocation of subsidiary earnings (losses) based on ownership interests. As of December 31, 2025 and 2024, it was not deemed probable that the amounts relating to convertible preferred stock in non-controlling interests will become redeemable as no change in control has occurred or is expected to occur; therefore, no additional adjustments or remeasurements were required under ASC 480-10, *Distinguishing Liabilities from Equity*.

During the year ended December 31, 2025, Pansend closed on several intercompany convertible 13.0% note instruments with R2 Technologies, and funded a total of \$7.5 million to R2 Technologies. The outstanding principal amounts of the notes, together with any interest then accrued and unpaid, is convertible at the option of Pansend into shares of a new Series E Convertible Preferred Stock ("Series E") or new Series F Convertible Preferred Stock ("Series F") in R2 Technologies, as applicable to each note, upon written notice to R2 Technologies and the notes have a maturity date, of the earlier of July 31, 2026, or a change in control of R2 Technologies, as defined in the notes. These notes and related intercompany interest are eliminated on consolidation. Subsequent to year end, in February 2026 and March 2026, an additional \$0.3 million in intercompany convertible 13.0% notes with R2 Technologies was funded.

As a result of the allocation of losses, the redeemable non-controlling interest related to R2 Technologies was negative \$1.0 million and negative \$0.5 million as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the Company had negative \$9.2 million and negative \$4.9 million, respectively of R2 Technologies non-controlling interests reflected within Non-controlling interests within the Consolidated Balance Sheets.

Liquidation Preference

R2 Technologies has issued multiple A, B, C and D-series, and, in the future potentially E-series and F-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, series C, series D, series E (upon conversion of the aforementioned \$3.5 million note that is convertible into Series E) and series F (upon conversion of the aforementioned notes that are convertible into Series F) R2 Technologies Preferred Shares 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 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.

As of both December 31, 2025 and 2024, R2 Technologies had negative net assets after consideration of intercompany and third-party debt, as applicable, and, therefore, there would be no legally available funds to satisfy any liquidation preferences upon a liquidation event.

17. Related Parties

Non-Operating Corporate

During the first quarter of 2024, in connection with the Rights Offering, the Company entered into an Investment Agreement with Lancer Capital, an entity controlled by Avram A. Glazer, 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 private placement transaction ("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 the equity advance of \$25.0 million to the Company and received 25,000 shares of Series C Preferred Stock. On April 24, 2024, as a result of the closing of the Rights Offering and Concurrent Private Placement, Lancer Capital purchased an additional approximately 6,286 shares of Series C Preferred Stock for \$6.3 million. On June 18, 2024, the Company held its annual shareholder meeting where the Company's shareholders approved the conversion of the Series C Preferred Stock into common stock. As a result, approximately 31,286 Series C Preferred Stock held by Lancer Capital were converted into 4,469,390 shares of INNOVATE's common stock, and there were no shares of the Series C Preferred Stock outstanding subsequent to their conversion into the Company's common stock. Refer to Note 16. Equity and Temporary Equity for additional information.

As of December 31, 2025, Lancer Capital held \$2.2 million of the Company's 2027 Convertible Notes, which were issued on August 4, 2025, in exchange for the \$2.0 million of principal amount of the Company's 2026 Convertible Notes held by Lancer prior to the exchange and as of December 31, 2024. The principal amount of the 2027 Convertible Notes includes capitalized interest and extension fees. As of December 31, 2025, the \$2.2 million in 2027 Convertible Notes are convertible into 51,874 shares of common stock of INNOVATE. As of December 31, 2024, the \$2.0 million in 2026 Convertible Notes were convertible into 47,265 shares of common stock of INNOVATE. During both the years ended December 31, 2025 and 2024, Lancer Capital earned \$0.2 million in interest relating to these notes. Refer to Note 11. Debt Obligations for additional information on the Convertible Notes.

CGIC is a former significant shareholder and is the shareholder of the Company's Series A-3 Preferred Stock and Series A-4 Preferred Stock. Refer to Note 16. Equity and Temporary Equity for additional information. In addition, as of December 31, 2025 and 2024, the Company owed \$45.9 million and \$31.0 million, respectively, in principal amount of a promissory note owed to CGIC. Refer to Note 11. Debt Obligations for additional information.

In December 2023, the Company 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. The \$0.2 million security deposit on the lease was also assigned to Lancer Capital and written-off in March 2024.

Infrastructure

DBMG and Banker Steel, jointly and severally, had a subordinated 4.0% note payable to Banker Steel's former owner, in which Donald Banker's family trust has a 25% interest. The 4.0% note and associated accrued interest matured on March 31, 2024, and was fully redeemed on April 2, 2024. During the year ended December 31, 2024, DBMG made \$5.0 million in scheduled principal payments on the 4.0% note.

Life Sciences

As of December 31, 2025, R2 Technologies had \$47.9 million in principal amount of a 12.0% senior secured promissory note due to Lancer Capital. As of December 31, 2024, R2 Technologies had \$24.0 million in principal amount of a 20.0% senior secured promissory note due to Lancer Capital. Refer to Note 11. Debt Obligations for additional information.

For the years ended December 31, 2025 and 2024, R2 Technologies recognized revenue of \$3.6 million and \$1.4 million, respectively from sales and profit sharing agreements with a subsidiary of Huadong, a related party of R2 Technologies. There were \$0.6 million and \$0.1 million of related receivables from this subsidiary of Huadong as of December 31, 2025 and 2024, respectively.

Share-based compensation and royalty expenses related to Blossom Innovations, LLC ("Blossom"), an investor of R2 Technologies since 2014, totaled \$0.3 million and \$1.1 million, for the years ended December 31, 2025 and 2024, respectively. The related payables due to Blossom totaled \$0.2 million as of December 31, 2025, and there were no related payables due to Blossom as of December 31, 2024.

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

18. Segments and Related Information

The Company currently operates in one primary geography - United States, and substantially all revenue is derived in the United States, and substantially all PP&E and intangible assets reside in the United States. The Company's reportable segments are identified based on the nature of the services and products provided, the organizational structure, and the internal reporting system used by the Chief Operating Decision Maker ("CODM") to assess performance and allocate resources. As of December 31, 2025, the Company had three reportable operating segments, plus the Other segment, based on management's organization of the enterprise - Infrastructure, Life Sciences, Spectrum, and Other. The Company also has a Non-Operating Corporate segment. All inter-segment transactions are eliminated on consolidation. There are no inter-segment revenues. Refer to Note 1. Organization and Business for additional information on the organizational structure of the business and Note 3. Revenue and Contracts in Process for additional information on revenue by segment.

The CODM for the Company is the Interim CEO, Paul Voigt. The CODM is primarily responsible for allocating resources at all levels that do not require board approval. The CODM monitors the performance of each segment and is responsible for making strategic decisions regarding capital and resource allocation. The CODM uses a combination of monthly reports, which detail revenue and income (loss) from operations, and quarterly summaries, which include detailed breakdowns of each segment's income (loss) from operations, to evaluate segment performance, allocate resources and make strategic decisions. These financial metrics are used to view operating trends, perform analytical comparisons and benchmark performance between periods and to monitor budget-to-actual variances on a monthly basis. The primary U.S. GAAP metric used by the CODM in assessing segment performance is income (loss) from operations.

Financial information, including revenue and expenses, with respect to the Company's operating segments, is as follows (in millions):

	Year Ended December 31, 2025					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Revenue	\$ 1,210.3	\$ 12.5	\$ 23.2	\$ —	\$ —	\$ 1,246.0
Cost of revenue	1,026.2	8.4	11.7	—	—	1,046.3
Selling, general and administrative expenses	115.2	14.6	7.6	15.6	0.1	153.1
Depreciation and amortization	12.1	0.4	5.0	—	—	17.5
Other operating loss (income) ⁽¹⁾	1.4	—	(1.0)	—	—	0.4
Income (loss) from operations	<u>\$ 55.4</u>	<u>\$ (10.9)</u>	<u>\$ (0.1)</u>	<u>\$ (15.6)</u>	<u>\$ (0.1)</u>	<u>\$ 28.7</u>
Other data:						
Capital cash expenditures	\$ 23.4	\$ —	\$ 2.7	\$ —	\$ —	\$ 26.1

(1) Other operating loss for the year ended December 31, 2025, primarily consisted of a loss on lease modification and losses on the sales of various properties at the Company's Infrastructure segment, partially offset primarily by a gain on legal settlement at the Company's Spectrum Segment.

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	Year Ended December 31, 2024					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Revenue	\$ 1,071.6	\$ 9.8	\$ 25.7	\$ —	\$ —	\$ 1,107.1
Cost of revenue	880.4	6.4	11.5	—	—	898.3
Selling, general and administrative expenses	123.1	17.1	7.3	12.7	—	160.2
Depreciation and amortization	12.0	0.4	5.1	0.1	—	17.6
Other operating (income) loss ⁽¹⁾	(9.6)	—	0.4	0.2	—	(9.0)
Income (loss) from operations	<u>\$ 65.7</u>	<u>\$ (14.1)</u>	<u>\$ 1.4</u>	<u>\$ (13.0)</u>	<u>\$ —</u>	<u>\$ 40.0</u>

<u>Other data:</u>						
Capital cash expenditures	\$ 17.6	\$ —	\$ 1.4	\$ —	\$ —	\$ 19.0

(1) Other operating income at the Company's Infrastructure segment for the year ended December 31, 2024, related mainly to a gain on a lease modification and a net gain on the sale and disposal of various properties.

Certain balance sheet data:

	December 31, 2025					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Investments ⁽¹⁾	\$ —	\$ 1.8	\$ —	\$ —	\$ —	\$ 1.8
Total assets	\$ 758.9	\$ 9.6	\$ 174.5	\$ 7.1	\$ —	\$ 950.1

	December 31, 2024					
	Infrastructure	Life Sciences	Spectrum	Non-Operating Corporate	Other and Eliminations	INNOVATE
Investments ⁽¹⁾	\$ —	\$ 1.8	\$ —	\$ 1.8	\$ —	\$ 3.6
Total assets	\$ 683.6	\$ 11.9	\$ 178.9	\$ 16.7	\$ —	\$ 891.1

(1) The Company's equity method investments in its Life Sciences segment totaled \$0.9 million as of both December 31, 2025 and 2024.

	Year Ended December 31,	
	2025	2024
Reconciliation of the consolidated segment income from operations to consolidated loss from operations before income taxes:		
Income from operations	\$ 28.7	\$ 40.0
Interest expense	(89.0)	(74.5)
Loss from equity investees	(5.9)	(2.3)
Other income, net	4.7	3.4
Loss from operations before income taxes	<u>\$ (61.5)</u>	<u>\$ (33.4)</u>

19. Basic and Diluted Loss Per Common Share

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, and, previously, the Series C Preferred Stock, 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, and, previously, the Series C Preferred Stock, of the Company are considered participating securities; however, unvested shares of restricted stock do not participate in losses and, as such, are excluded from the computation of basic 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 share-based compensation plans), is computed using the "if-converted method" if this measurement is determined to be more dilutive than the treasury stock method in a period.

The Company had no dilutive common stock equivalents during the years ended December 31, 2025, and 2024, due to the results from continuing operations being a loss, net of tax. For the years ended December 31, 2025 and 2024, 304,684 and 171,565, respectively, of common stock equivalents from unvested restricted stock awards and unvested restricted stock units 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 EPS, but were excluded from the computations of diluted net loss per share for the years ended December 31, 2025 and 2024, and may be excluded from computations of diluted EPS in the future, are: convertible preferred stock, convertible debt, and stock options. Refer to Note 15. Share-based Compensation and Note 16. Equity and Temporary Equity for additional information on INNOVATE's equity instruments.

INNOVATE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The following table presents a reconciliation of net loss to net loss used in the basic and diluted EPS calculations (in millions, except shares and per share amounts):

	Year Ended December 31,	
	2025	2024
Net loss	\$ (64.0)	\$ (39.7)
Net loss attributable to non-controlling interests and redeemable non-controlling interests	3.4	5.1
Net loss attributable to INNOVATE Corp.	(60.6)	(34.6)
Less: Preferred stock dividends	3.4	1.2
Net loss attributable to common stockholders and participating preferred stockholders	<u>\$ (64.0)</u>	<u>\$ (35.8)</u>
Participating shares		
Weighted-average common shares outstanding	13,217,593	10,696,274
Series C Preferred stock	—	947,307
Total	13,217,593	11,643,581
Percentage of loss allocated to:		
Common stock	100.0 %	91.9 %
Series C Preferred stock	— %	8.1 %
Numerator for loss per share:		
Net loss attributable to common stockholders, basic and diluted	\$ (64.0)	\$ (32.9)
Net loss attributable to Series C holders, basic and diluted	—	(2.9)
Denominator for loss per share:		
Weighted-average common shares outstanding - basic and diluted	13,217,593	10,696,274
Weighted-average Series C shares outstanding - basic and diluted	—	947,307
Loss per share		
Loss per common share - basic and diluted	\$ (4.84)	\$ (3.08)
Loss per Series C share - basic and diluted	\$ —	\$ (3.08)

20. Fair Value of Financial Instruments

Fair Value of Financial Instruments Not Measured at Fair Value

Our financial instruments primarily include cash and cash equivalents, restricted cash, accounts receivable and contract assets, marketable and non-marketable securities, including equity investments and certain other investments, notes receivable, accounts payable and other current and non-current liabilities, redeemable non-controlling interests and debt obligations. The following tables present the carrying amounts and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis and not measured using the equity method of accounting, with fair values shown according to the fair value hierarchy. The tables exclude carrying amounts for cash and cash equivalents and restricted cash (Level 1 measurements), accounts receivable and contract assets, accounts payable, contract liabilities and other current liabilities, and other assets and liabilities (Level 2 measurements) that approximate fair value due to the relatively short periods to maturity (in millions):

December 31, 2025

	Fair Value Measurement Using:				
	Carrying Value	Estimated Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Measurement alternative investment ⁽¹⁾	\$ 0.9	\$ 0.9	\$ —	\$ —	\$ 0.9
Total assets not accounted for at fair value	\$ 0.9	\$ 0.9	\$ —	\$ —	\$ 0.9
Liabilities					
Debt obligations ⁽²⁾	\$ 661.6	\$ 642.1	\$ —	\$ 447.2	\$ 194.9
Total liabilities not accounted for at fair value	\$ 661.6	\$ 642.1	\$ —	\$ 447.2	\$ 194.9

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

(2) Excludes lease obligations accounted for under ASC 842, Leases. The fair value of the Company's Level 3 debt obligations incorporates applicable exit fees, while the carrying value of the debt obligations excludes \$25.8 million in exit fees which is reflected in Accrued liabilities in the Company's Consolidated Balance Sheet.

December 31, 2024

	Fair Value Measurement Using:				
	Carrying Value	Estimated Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Measurement alternative investment ⁽¹⁾	\$ 0.9	\$ 0.9	\$ —	\$ —	\$ 0.9
Total assets not accounted for at fair value	\$ 0.9	\$ 0.9	\$ —	\$ —	\$ 0.9
Liabilities					
Debt obligations ⁽²⁾	\$ 662.2	\$ 577.1	\$ —	\$ 577.1	\$ —
Total liabilities not accounted for at fair value	\$ 662.2	\$ 577.1	\$ —	\$ 577.1	\$ —

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

(2) Excludes 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 externally quoted market prices for INNOVATE's 10.50% 2027 Senior Secured Notes, 8.50% 2026 Senior Secured Notes, 9.5% Convertible Senior Secured Notes due 2027, and 7.50% Convertible Senior Notes due 2026, which are reflected as Level 2 fair value measurements due to limited recently available observable trading activity for these instruments. The methodology for the Level 2 fair value measurements 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. The Level 3 fair value measurements, including those for the Company's other debt instruments, were estimated using an income approach based on the expected future cash flows, discounted at an estimated market yield. The discount rate, or yield to maturity, was derived from a synthetic credit rating and corresponding market spread analysis as of the valuation date to estimate an option-adjusted spread which was then applied to the applicable risk-free curve, consistent with market observable inputs for similarly rated debt. 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.

Fair Value of Financial Instruments Measured at Fair Value

The Company's investments in marketable securities were measured at fair value, using publicly available quoted market prices, a Level 1 input. Refer to Note 6. Investments for additional information.

21. Supplementary Financial Information

Other income, net

The following table provides information relating to Other income, net (in millions):

	Year Ended December 31,	
	2025	2024
Gain on step-up of equity method investment	\$ 4.4	\$ —
Net loss on repurchase or extinguishment of debt	(0.3)	(0.3)
Interest income	0.7	2.6
Foreign currency translation (losses) gains	(1.1)	1.3
Fair value gains (losses) on securities	0.8	(0.2)
Other	0.2	—
Total other income, net	\$ 4.7	\$ 3.4

Supplemental Cash Flow Information

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

	Year Ended December 31,	
	2025	2024
Cash and cash equivalents, beginning of the year	\$ 48.8	\$ 80.8
Restricted cash included in other current assets	—	0.9
Restricted cash included in other assets (non-current)	0.5	0.6
Total cash, cash equivalents and restricted cash, beginning of the year	\$ 49.3	\$ 82.3
Cash and cash equivalents, end of the year	\$ 112.1	\$ 48.8
Restricted cash included in other current assets	—	—
Restricted cash included in other assets (non-current)	0.6	0.5
Total cash and cash equivalents and restricted cash, end of the year	\$ 112.7	\$ 49.3

Supplemental cash flow information:

Cash paid for interest	\$ 30.0	\$ 48.6
Cash paid for income taxes, net	\$ 6.4	\$ 3.5

Non-cash investing and financing activities:

Accrued interest and fees capitalized into principal debt	\$ 66.3	\$ 6.6
Accrued dividends capitalized into principal debt	\$ 0.5	\$ —
Exchange of preferred stock for debt	\$ 9.1	\$ —
Property, plant and equipment included in accounts payable or accrued expenses	\$ 0.8	\$ 0.5

22. Subsequent Events

Refer to Note 11. Debt Obligations for updates regarding the milestone covenants related to the Company's 10.50% 2027 Senior Secured Notes and Spectrum Notes.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

INNOVATE Corp. (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value \$0.001 per share. The following summary is a description of the material terms of the common stock. The summary is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of our certificate of incorporation, bylaws and the 2026 Convertible Note Indenture, the 2027 Convertible Note Indenture, the 2026 Senior Secured Note Indenture and the 2027 Senior Secured Note Indenture (each as defined below), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part (the "2025 Annual Report"). Capitalized terms used but not otherwise defined herein have the meanings set forth in the 2025 Annual Report.

General

Our authorized capital stock consists of 250,000,000 shares of common stock, \$0.001 par value; and 20,000,000 shares of preferred stock, \$0.001 par value.

Common Stock

Voting

The holders of the common stock are entitled to one vote for each outstanding share of common stock owned by that stockholder on every matter properly submitted to the stockholders for their vote. Stockholders are not entitled to vote cumulatively for the election of directors.

Dividend Rights

We do not pay regular dividends to holders of our common stock. However, we have paid several special cash dividends to holders of our common stock. We have not paid any special dividends to holders of our common stock since August 27, 2013.

Subject to the dividend rights of the holders of any outstanding series of preferred stock, holders of the common stock are entitled to receive ratably such dividends and other distributions of cash or any other right or property as may be declared by the board of directors out of the assets or funds legally available for such dividends or distributions.

Any future determinations to pay cash dividends on our common stock will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, cash flows and other factors that the board of directors deem relevant.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of the common stock would be entitled to share ratably in the assets that are legally available for distribution to stockholders after payment of liabilities and subject to the prior rights of any holders of preferred stock then outstanding. If the Company has any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distribution and/or liquidation preferences, such as those discussed below with respect to the preferred stock. In either such case, the Company must pay the applicable distribution to the holders of the preferred stock before they may pay distributions to the holders of the common stock.

Conversion, Redemption and Preemptive Rights

Holders of the common stock have no conversion, redemption, preemptive, subscription or similar rights. There are no sinking fund provisions applicable to our common stock.

Transfer Agent

The transfer agent and registrar for our common stock is Computershare Investor Services.

Preferred Stock

Under our certificate of incorporation, the board of directors of the Company is authorized, subject to limitations prescribed by law and any consent rights granted to holders of outstanding shares of preferred stock, to issue up to 20,000,000 shares of preferred stock, par value \$0.001 per share, in one or more classes or series. The board of directors has discretion to determine the rights, preferences, privileges and restrictions of, including, without limitation, dividend rights, conversion rights, redemption privileges and liquidation preferences of, and to fix the number of shares of, each series of the preferred stock. The terms and conditions of any issued preferred stock could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of the common stock or otherwise be in their best interest.

Of the 20,000,000 shares of preferred stock authorized for issuance under our charter, 6,125 shares are designated and issued as Series A-3 Convertible Participating Preferred Stock (the "Series A-3 Preferred Stock") and 1,937 shares are designated and issued as Series A-4 Convertible Participating Preferred Stock (the "Series A-4 Preferred Stock" and, together with the Series A-3 Preferred Stock, the "Preferred Stock").

Dividends. The Preferred Stock accrues a cumulative quarterly cash dividend at an annualized rate of 7.50%. The accrued value of the Preferred Stock will 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, or (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 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.

Optional Conversion. Each share of Preferred Stock may be converted by the holder into shares of the common stock at any time based on the then-applicable Conversion Price (as defined in our certificate of incorporation).

Redemption by the Holders/Automatic Conversion. On July 1, 2026, holders of the Preferred Stock shall be entitled to cause the Company to redeem, out of legally available funds, the Preferred Stock at the accrued value per share plus accrued but unpaid dividends (to the extent not included in the accrued value of the Preferred Stock). Each share of Preferred Stock 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 our certificate of incorporation) holders of the Preferred Stock shall be entitled to cause the Company to redeem their Preferred Stock at a price per share of Preferred Stock equal to the greater of (i) the accrued value of the Preferred Stock, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into shares of the Company's common stock immediately prior to the change of control.

Redemption by the Company. The Company may redeem the Preferred Stock, 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 Preferred Stock), subject to the holder's right to convert prior to such redemption.

Forced Conversion. The Company may force conversion of the Preferred Stock 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 trading days out of the thirty trading day period used to calculate the thirty-day VWAP. In the event of a forced conversion, the holders of Preferred Stock 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 Preferred Stock will be entitled to receive per share the greater of (i) the accrued value of the Preferred Stock, plus any accrued and unpaid dividends (to the extent not included in the accrued value of Preferred Stock), and (ii) the value that would be received if the share of Preferred Stock were converted into shares of the Company's common stock immediately prior to such occurrence. The Preferred Stock 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 our certificate of incorporation. 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 Preferred Stock 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.

Consent Rights. For so long as any of the Preferred Stock is outstanding, consent of the holders of shares representing at least 75% of certain of the Preferred Stock 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.

Promissory Notes

2026 Convertible Notes

On February 1, 2021, the Company issued \$51.8 million in aggregate principal amount of its 7.50% convertible notes due August 1, 2026 (the "2026 Convertible Notes"). The 2026 Convertible Notes are governed by that indenture dated as of February 1, 2021 (the "2026 Convertible Note Indenture") between the Company and U.S. Bank Trust Company, National Association, as trustee (the "2026 Convertible Notes Trustee"), as amended by that first supplemental indenture dated as of August 4, 2025 by and between the Company and the 2026 Convertible Notes Trustee (as amended, the "2026 Convertible Notes Indenture"). During July 2024, the Company repurchased \$2.9 million principal amount of its 2026 Convertible Notes for \$1.1 million, inclusive of accrued interest of \$0.1 million. On August 4, 2025, the Company exchanged \$48.7 million aggregate principal amount of the 2026 Convertible Notes for new 2027 Convertible Notes (as defined below). As of December 31, 2025, \$0.2 million in aggregate principal amount of 2026 Convertible Notes were outstanding.

The 2026 Convertible Notes mature on August 1, 2026, unless earlier converted, redeemed or purchased. The 2026 Convertible Notes were issued at 100% of par with a stated annual interest rate of 7.50%.

The 2026 Convertible Notes are convertible, subject to adjustment upon the occurrence of specified events, into shares of the Company's common stock based on a conversion rate of

23.6327 shares of common stock per \$1,000 principal amount of Convertible Notes (equivalent to a conversion price of approximately \$42.31 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of \$1,000 or an integral multiple of \$1,000 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the 2026 Convertible Note Indenture) or the Company's delivery of a notice of redemption for the 2026 Convertible Notes, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2026 Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption. However, to comply with certain listing standards of the NYSE, the Company will settle in cash its obligation to increase the conversion rate in connection with a Make-Whole Fundamental Change or redemption until it has obtained the requisite stockholder approval.

2027 Convertible Notes

On August 4, 2025, the Company issued \$53.5 million aggregate principal amount of its 9.5% Convertible Senior Secured Notes due 2027 (the "2027 Convertible Notes"), in exchange for \$48.7 million aggregate principal amount of its 2026 Convertible Notes. The 2027 Convertible Notes are governed by that indenture dated as of August 4, 2025 by and among the Company, the guarantors party thereto from time to time and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the "2027 Convertible Notes Trustee") and collateral trustee. The new principal amount includes fees payable to the lenders and \$47.50 principal amount of 2027 Convertible Notes per \$1,000 principal amount of 2026 Convertible Notes exchanged, paid to exchanging holders in lieu of the interest payment in respect of the 2026 Convertible Notes that was due on August 1, 2025. As of December 31, 2025, \$53.5 million in aggregate principal amount of 2027 Convertible Notes were outstanding.

The 2027 Convertible Notes will be convertible into cash, shares of the Company's common stock, or a combination thereof, at the Company's election, based on an initial conversion rate of 23.6327 shares of common stock per \$1,000 principal amount of 2027 Convertible Notes (equivalent to an initial conversion price of approximately \$42.31 per share of the Company's common stock), at any time prior to the close of business on the business day immediately preceding the maturity date, in principal amounts of \$1,000 or an integral multiple of \$1.00 in excess thereof. In addition, following a Make-Whole Fundamental Change (as defined in the 2027 Convertible Notes Indenture) or the Company's delivery of a notice of redemption for the 2027 Convertible Notes, the Company will, in certain circumstances, be required to increase the conversion rate for a holder who elects to convert its 2027 Convertible Notes in connection with (i) such Make-Whole Fundamental Change or (ii) such notice of redemption.

2026 Senior Secured Notes

On February 1, 2021, the Company issued \$330.0 million in aggregate principal amount of its 8.50% senior secured notes due February 1, 2026 (the "2026 Senior Secured Notes"). The 2026 Senior Secured Notes are governed by that indenture dated as of February 1, 2021 by and

among the Company, the subsidiary guarantors party thereto from time to time (the "Subsidiary Guarantors") and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the "2026 Senior Secured Notes Trustee") and collateral trustee, as amended by that first supplemental indenture dated as of August 4, 2025 by and among the Company, the Subsidiary Guarantors and the 2026 Senior Secured Notes Trustee (as amended, the "2026 Senior Secured Note Indenture"). As of December 31, 2025, there are \$1.9 million in aggregate principal amount of 2026 Senior Secured Notes outstanding.

The Company's obligations under the 2026 Senior Secured Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the Subsidiary Guarantors.

Certain terms and conditions of the 2026 Senior Secured Notes are as follows:

Maturity. The 2026 Senior Secured Notes mature on February 1, 2026.

Interest. The 2026 Senior Secured Notes accrue interest at a rate of 8.500% per year, payable semi-annually on February 1 and August 1 of each year.

Ranking. The 2026 Senior Secured Notes and the note guarantees are the Company's and the Subsidiary Guarantors' general senior secured obligations. The 2026 Senior Secured Notes and the note guarantees will rank: (i) senior in right of payment to all of the Company's and the Subsidiary Guarantors' future subordinated debt; (ii) equal in right of payment, subject to the priority of any First-Out Obligations (as defined in the 2026 Senior Secured Notes Indenture), with all of the Company's and the Subsidiary Guarantors' existing and future senior debt and effectively senior to all of its and the Subsidiary Guarantor's unsecured debt to the extent of the value of the collateral; and (iii) effectively subordinated to all liabilities of its non-guarantor subsidiaries. The notes and the note guarantees are secured on a subordinated basis (see below) by substantially all of the Company's assets and the assets of the Subsidiary Guarantors, subject to certain exceptions and permitted liens.

Collateral. The 2026 Senior Secured Notes are secured by a subordinated lien (subordinated to the liens securing certain indebtedness, including the 2027 Senior Secured Notes, the 2027 Convertible Notes and the Company's existing \$20.0 million secured revolving credit facility on substantially all of the Company's assets (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the Secured Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 100% of the non-voting stock (if any) and 65% of the voting stock of such foreign subsidiary) and the related rights and privileges associated therewith (but excluding Equity Interests of Insurance Subsidiaries (as defined in the Secured Indenture), to the extent the pledge thereof is deemed a "change of control" under applicable insurance regulations);
- all equipment, goods, inventory and fixtures owned by the Company or a Subsidiary Guarantor;

- all cash, deposit accounts and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;
- all intellectual property and other general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

No Sinking Fund. The Company is not required to make any sinking fund payments with respect to the 2026 Senior Secured Notes.

Optional Redemption. The Company has the option to redeem some or all of the 2026 Senior Secured Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date.

Asset Sale Offer. If the Company completes certain assets sales, the Company may be required in certain circumstances to make an offer to purchase the 2026 Senior Secured Notes with the net cash proceeds from such an asset sale at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Change of Control. If a Change of Control (as defined in the 2026 Senior Secured Notes Indenture) occurs, the Company will be required to make an offer to purchase the 2026 Senior Secured Notes for cash at a price equal to 101% of the aggregate principal amount of such 2026 Senior Secured Notes on the date of purchase, plus any accrued and unpaid interest to the date of repurchase.

Events of Default. The 2026 Senior Secured Notes Indenture, as amended by the 2026 Senior Secured Notes First Supplemental Indenture dated as of August 4, 2025, contains customary events of default which could, subject to certain conditions, cause the 8.50% 2026 Senior Secured Notes to become immediately due and payable.

2027 Senior Secured Notes

On August 4, 2025, the Company issued \$360.4 million in aggregate principal amount of its 10.500% Senior Secured Notes due 2027 (the “2027 Senior Secured Notes”) in exchange for approximately \$328.1 million in aggregate principal amount of its 8.500% Senior Secured Notes due 2026 (the “2026 Senior Secured Notes”). The 2027 Senior Secured Notes are governed by that indenture dated as of August 4, 2025 by and among the Company, the Subsidiary Guarantors and U.S. Bank Trust Company, National Association, as trustee (in such capacity, the “2027 Senior Secured Notes Trustee”), and collateral trustee. As of December 31, 2025, there are \$360.4 million in aggregate principal amount of 2027 Senior Secured Notes outstanding.

The Company's obligations under the 2027 Senior Secured Notes Indenture are irrevocably and unconditionally guaranteed, jointly and severally, by the 2027 Subsidiary Guarantors.

Certain terms and conditions of the 2027 Senior Secured Notes are as follows:

Maturity. The 2027 Senior Secured Notes mature on February 1, 2027.

Interest. The 2027 Senior Secured Notes accrue interest at a rate of 10.500% per year, payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2026. For the first interest period only, interest is paid in kind. All subsequent interest payments are payable in cash.

Ranking. The 2027 Senior Secured Notes and the note guarantees are the Company's and the Subsidiary Guarantors' senior secured obligations. The 2027 Senior Secured Notes and the note guarantees will rank: (i) equal in right of payment (subject to the priority of any First-Out Obligations (as defined in the 2027 Senior Secured Notes Indenture) (including any debt under the Company's existing \$20.0 million secured revolving credit facility)) with all existing and future senior debt of the Company and the Subsidiary Guarantors and effectively senior to all unsecured debt of the Company to the extent of the value of the collateral; (ii) senior in right of payment to all of the Company's future debt that expressly provides for its subordination to the 2027 Senior Secured Notes; (iii) effectively subordinated to any existing and future debt of the Company that is secured by liens on property and assets that do not constitute collateral, to the extent of the value of such property and assets; and (iv) structurally subordinated to any existing and future debt and other liabilities of the Company's non-guarantor subsidiaries.

Collateral. The 2027 Senior Secured Notes are secured by a first priority lien on substantially all of the Company's assets and the assets of the Subsidiary Guarantors (except for certain "Excluded Assets," and subject to certain "Permitted Liens," each as defined in the 2027 Senior Secured Notes Indenture), including, without limitation:

- all equity interests owned by the Company or a Subsidiary Guarantor (which, in the case of any equity interest in a foreign subsidiary, will be limited to 65% of the voting stock of such foreign subsidiary if the pledge thereof would result in adverse tax consequences that are material to the value of the collateral);
- all equipment, goods, inventory and fixtures owned by the Company or a Subsidiary Guarantor;
- all accounts, cash, deposit accounts and investment securities owned by the Company or a Subsidiary Guarantor;
- all documents, books and records, instruments and chattel paper owned by the Company or a Subsidiary Guarantor;

- all intellectual property and other general intangibles owned by the Company or a Subsidiary Guarantor; and
- any proceeds and supporting obligations thereof.

No Sinking Fund. The Company is not required to make any sinking fund payments with respect to the 2027 Senior Secured Notes.

Optional Redemption. The Company has the option to redeem some or all of the 2027 Senior Secured Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date.

Asset Sale Offer. If the Company completes certain assets sales, the Company may be required in certain circumstances to make an offer to purchase the 2027 Senior Secured Notes with the net cash proceeds from such an asset sale at a price in cash equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase.

Change of Control. If a Change of Control (as defined in the 2027 Senior Secured Notes Indenture) occurs, the Company will be required to make an offer to purchase the 2027 Senior Secured Notes for cash at a price equal to 101% of the aggregate principal amount of such 2027 Senior Secured Notes on the date of purchase, plus any accrued and unpaid interest to the date of repurchase.

Certain Covenants. The 2027 Senior Secured Notes Indenture contains covenants limiting, among other things, the ability of the Company, and, in certain cases, the Company's subsidiaries, to incur additional indebtedness; create liens; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in certain transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. Additionally, the 2027 Senior Secured Notes Indenture requires the Company to meet certain milestones with respect to strategic alternatives for our operating subsidiaries, including asset sales generating at least \$150 million in net proceeds, such that by September 1, 2025 the Company has a bona fide bid or term sheet related to a potential sale, a fully executed purchase or equity agreement by November 1, 2025, and an executed transaction with applied proceeds to the 2027 Senior Secured Notes Indenture no later than February 1, 2026. In the event this covenant is not reached, the Company will be required to commence a sales process for DBM Global. The September 1, 2025 milestone was not reached, and in accordance with the 2027 Senior Secured Notes Indenture, the Company is thus required to commence a sales process for DBMG. These covenants are subject to a number of important exceptions and qualifications.

Events of Default. The 2027 Senior Secured Notes Indenture contains customary events of default which could, subject to certain conditions, cause the 2027 Senior Secured Notes to become immediately due and payable, including, but not limited to defaults by the Company in the payment of the principal of any the 2027 Senior Secured Notes when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise (other than pursuant to an offer to purchase by the Company) or in the payment of interest on any note when the same

becomes due and payable, and the default continues for a period of 30 days; failure to comply with certain other covenants in the 2027 Senior Secured Notes Indenture for a period of 60 days following notice by the 2027 Senior Secured Notes Trustee or the holders of at least 30% in aggregate principal amount of the 2027 Senior Secured Notes then outstanding; failure to pay or otherwise default on material debt; or failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating \$20 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; certain events of bankruptcy or insolvency; and failure to comply with the milestone covenant described above.

Anti-Takeover Effects of Delaware Law

Anti-Takeover Effects of our Restated Certificate, Bylaws and the Delaware General Corporation Law

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. Our board of directors has the authority under our certificate of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of the Company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock.

Special Meeting of Stockholders

Our bylaws provide that special meetings of the stockholders may only be called by our Chairman, our Chief Executive Officer or our President or by our board of directors pursuant to a resolution approved by a majority of the then authorized number of directors. The inability of our stockholders to call a special meeting may have the effect of discouraging or deterring a potential acquirer from attempting to obtain control of us.

Advance Notice Procedures

Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting are only able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although our bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the advance notice requirements of our bylaws may have the effect of precluding the conduct of certain business at a

meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us.

COLLATERAL TRUST AGREEMENT

dated as of August 4, 2025

among

INNOVATE CORP.,

the other Grantors from time to time party hereto,

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee under the Indenture,

MSD PCOF PARTNERS IX, LLC,
as First-Out Lender under the First-Out Credit Agreement and a First-Out Authorized
Representative

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Collateral Trustee

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EXHIBIT A - Additional Pari Passu Debt Designation

EXHIBIT B - Form of Collateral Trust Joinder-Additional Pari Passu Obligations

EXHIBIT C - Form of Collateral Trust Joinder-Additional Grantor

COLLATERAL TRUST AGREEMENT dated as of August 4, 2025, among INNOVATE CORP., a Delaware corporation (the “*Issuer*”), the Grantors from time to time party hereto, U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee (as defined below), MSD PCOF PARTNERS IX, LLC, as lender under the First-Out Credit Agreement (in such capacity and together with its successors and assigns in such capacity, the “*First-Out Lender*”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Trustee (in such capacity and together with its successors in such capacity, the “*Collateral Trustee*”).

W I T N E S S E T H:

WHEREAS, the Issuer intends to issue 10.500% Senior Secured Notes due 2027 (the “*Notes*”) in an aggregate principal amount of \$360.345,562 million pursuant to an Indenture dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “*Indenture*”) among the Issuer, the Grantors party thereto and U.S. Bank Trust Company, National Association, as trustee (in such capacity and together with its successors in such capacity, the “*Trustee*”).

WHEREAS, pursuant to the Pledge and Security Agreement dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “*Pledge and Security Agreement*”), the Issuer and the other Grantors have agreed to grant liens and pledges on substantially all present and future Collateral in favor of the Collateral Trustee, for the ratable benefit of the Secured Parties, to secure the Obligations under the Indenture on a first priority basis, to the extent that such Liens have been provided for (or are subsequently provided for) in the applicable Security Documents.

WHEREAS, the pursuant to that certain Credit Agreement, dated as of March 13, 2020, by and among Issuer, as borrower, the other Grantors as guarantors from time to time party thereto and the First-Out Lender, as amended by the First Amendment to Credit Agreement, dated as of August 10, 2020, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Waiver, Consent and Second Amendment to Credit Agreement, dated as of February 1, 2021, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Third Amendment to Credit Agreement, dated as of February 23, 2021, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Fourth Amendment to Credit Agreement, dated as of April 25, 2023, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Fifth Amendment to Credit Agreement, dated as of May 6, 2024, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Sixth Amendment to Credit Agreement, dated as of March 6, 2025, among the Issuer, as borrower, the Grantors party thereto and the Lender, the Seventh Amendment to Credit Agreement, dated as of July 31, 2025, among the Issuer, as borrower, the Grantors party thereto and the Lender and the Eighth Amendment to Credit Agreement, dated as of August 4, 2025, among the Issuer, as borrower, the Grantors party thereto and the Lender and as the same may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “*First-Out Credit Agreement*”), the Lender has agreed to provide revolving loans and other financial accommodations to the Loan Parties (as defined in the Credit Agreement) thereunder.

WHEREAS pursuant to the “Security Documents” (as defined in the First-Out Credit Agreement), the Issuer and the other Grantors have agreed to grant liens and pledges on substantially all present and future Collateral in favor of the Collateral Trustee, for the ratable benefit of the First-Out Secured Parties, to secure the First-Out Obligations under the Credit Agreement on a first priority basis, to the extent that such Liens have been provided for (or are subsequently provided for) in the applicable Security Documents.

WHEREAS, this Agreement sets forth the terms on which each Secured Party has appointed the Collateral Trustee to act as the Collateral Trustee for the present and future holders of the Pari Passu Obligations (as defined below) to receive, hold, maintain, administer and distribute the Collateral at any time delivered to the Collateral Trustee or the subject of the Security Documents, and to enforce the Security Documents and all interests, rights, powers and remedies of the Collateral Trustee with respect thereto or thereunder and the proceeds thereof. Capitalized terms used in this Agreement have the meanings assigned to them above or in Article 1 below.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE 1. DEFINITIONS; PRINCIPLES OF CONSTRUCTION

SECTION 1.1 Defined Terms. The following terms will have the following meanings:

“**Act of Required Secured Parties**” means, as to any matter at any time, a direction in writing delivered to the Collateral Trustee by or with the written consent of the holders of (or the Authorized Representatives representing the holders of) more than 50% of the sum of the aggregate outstanding principal amount of Pari Passu Debt (including the face amount of outstanding letters of credit whether or not then available or drawn).

For purposes of this definition, (i)(a) Pari Passu Debt registered in the name of, or beneficially owned by, the Issuer or any Affiliate of the Issuer and (b) prior to the Discharge of First-Out Obligations and the Discharge of Specified Pari Passu Obligations, Excess First-Out Obligations will be deemed not to be outstanding and neither (x) the Issuer or any Affiliate of the Issuer nor (y) any holder of Excess First-Out Obligations (with respect to such Excess First-Out Obligations) will be entitled to vote such Pari Passu Debt and (ii) votes will be determined in accordance with Section 7.2.

“**Additional Pari Passu Debt Designation**” means a notice in substantially the form of Exhibit A.

“**Additional Pari Passu Obligations**” has the meaning set forth in Section 3.8(b)(1).

“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, “*control*” (including, with correlative meanings, the terms “*controlling*,” “*controlled by*” and “*under common control with*”) with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” shall mean this Collateral Trust Agreement, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“**Authorized Representative**” means (1) in the case of the Notes, the Trustee, or (2) in the case of any other Series of Pari Passu Debt (including any Series of First-Out Debt), the trustee, agent or representative of the holders of such Series of Pari Passu Debt who maintains the transfer register for such Series of Pari Passu Debt and is appointed as a representative of the Pari Passu Debt (for purposes related to the administration of the Security Documents) pursuant to the indenture, credit agreement or other agreement governing such Series of Pari Passu Debt, and who has executed a Collateral Trust Joinder.

“**Bankruptcy Code**” means Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor statute.

“**Board of Directors**” means with respect to (1) a corporation, the board of directors of the corporation or any duly authorized committee thereof having the authority of the full board with respect to the determination to be made, (2) a limited liability company, any managing member thereof or, if managed by managers, the board of managers thereof, or any duly authorized committee thereof having the authority of the full board with respect to the determination to be made, (3) a partnership, the Board of Directors of the general partner of the partnership and (4) any other Person, the board or committee of such Person serving a similar function.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed.

“**Capital Lease**” means, with respect to any Person, any lease of any property which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“**Capital Stock**” means with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity,

entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“**Cash Management Arrangement**” means with respect to any Person, any obligations of such person in respect of treasury management arrangements including any of the following products, services or facilities: (a) demand deposit or operating account relationships or other cash management services including, without limitation, any services provided in connection with operating, collections, payroll, trust, or other depository or disbursement accounts, including automated clearinghouse fund transfer services, e-payable, electronic funds transfer, wire transfer, controlled disbursement, overdraft, depository, information reporting, automated clearinghouse transactions, return items, overdrafts, interstate depository network services, lockbox and stop payment services; (b) treasury management line of credit, commercial credit card, merchant card services, purchase or debit cards, including, without limitation, stored value cards and non-card e-payables services; and (c) other banking products or services, other than loans or letters of credit.

“**Collateral**” means, in the case of each Series of Pari Passu Debt, all properties and assets of the Issuer and the other Grantors now owned or hereafter acquired in which Liens have been granted, or purported to be granted, or required to be granted, to the Collateral Trustee to secure any or all of the Pari Passu Obligations, including any property subject to Liens granted pursuant to Section 7.20, and shall exclude any properties and assets in which the Collateral Trustee is required to release its Liens pursuant to Section 3.2; *provided*, that, if such Liens are required to be released as a result of the sale, transfer or other disposition of any properties or assets of the Issuer or any other Grantor, such assets or properties will cease to be excluded from the Collateral if the Issuer or any other Grantor thereafter acquires or reacquires such assets or properties.

“**Collateral Trust Joinder**” means (1) with respect to the provisions of this Agreement relating to any Pari Passu Obligations, an agreement substantially in the form of Exhibit B and (2) with respect to the provisions of this Agreement relating to the addition of additional Grantors, an agreement substantially in the form of Exhibit C.

“**Collateral Trustee**” has the meaning set forth in the preamble.

“**Collateral Trustee Obligations**” has the meaning set forth in Section 3.4(a).

“**Controlling Representative**” means the Authorized Representative that represents the Series of Pari Passu Debt with the then largest outstanding principal amount, subject to the last sentence in the definition of “Act of Required Secured Parties.”

“**Discharge of Excess First-Out Obligations**” means the occurrence of all of the following:

- (1) termination or expiration of all commitments to extend credit that would constitute Excess First-Out Obligations;
- (2) payment in full in cash of the principal of and interest and premium (if any) on all Excess First-Out Obligations (including all interest, fees and expenses accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the Excess First-Out Documents, even if such interest, fee or expense is not enforceable, allowable or allowed as a claim in such proceeding);
- (3) discharge or cash collateralization (at the lower of (i) 105% of the aggregate undrawn amount and (ii) the percentage of the aggregate undrawn amount required for release of liens under the terms of an Excess First-Out Document or refinancing in respect thereof, as applicable) of all outstanding letters of credit constituting Excess First-Out Obligations; and
- (4) payment in full in cash of all other Excess First-Out Obligations (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at or prior to such time) that are outstanding and unpaid at the time that each of the events described in clauses (1), (2) and (3) above shall have occurred.

“Discharge of First-Out Obligations” means the occurrence of all of the following:

(1) with respect to each Series of First-Out Debt, termination or expiration of all commitments to extend credit that would constitute First-Out Obligations (other than Excess First-Out Obligations);

(2) payment in full in cash of the principal of and interest and premium (if any) on all First-Out Obligations (other than any undrawn letters of credit and other than Excess First-Out Obligations) (including all interest, fees and expenses accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the First-Out Documents, even if such interest, fee or expense is not enforceable, allowable or allowed as a claim in such proceeding);

(3) discharge or cash collateralization at the lower of (i) 105% of the aggregate undrawn amount and (ii) the percentage of the aggregate undrawn amount required for release of liens under the terms of the applicable Series of First-Out Debt of all outstanding letters of credit constituting First-Out Obligations (other than Excess First-Out Obligations); and

(4) payment in full in cash of all other First-Out Obligations (other than Excess First-Out Obligations and any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at or prior to such time) that are outstanding and unpaid at the time that each of the events described in clauses (1), (2) and (3) above shall have occurred;

provided, however, that if, at any time after the Discharge of First-Out Obligations has occurred, the Issuer thereafter enters into any First-Out Document evidencing a First-Out Debt the incurrence of which is not prohibited by any applicable Security Document, then such Discharge of First-Out Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement with respect to such new First-Out Debt (other than with respect to any actions taken as a result of the occurrence of such first Discharge of First-Out Obligations), and, from and after the date on which the Issuer designates such Indebtedness as First-Out Debt in accordance with Section 3.8, the Obligations under such First-Out Document shall automatically and without any further action be treated as First-Out Obligations for all purposes of this Agreement, including for purposes of the Lien and payment priorities and rights in respect of Collateral set forth herein.

“Discharge of Pari Passu Obligations” means the occurrence of each of the Discharge of First-Out Obligations, the Discharge of Specified Pari Passu Obligations and the Discharge of Excess First-Out Obligations.

“Discharge of Specified Pari Passu Obligations” means the occurrence of all of the following (other than in respect of First-Out Obligations or Excess First-Out Obligations):

(1) with respect to each Series of Specified Pari Passu Debt, either (x) payment in full in cash of the principal of and interest and premium (if any) on all Pari Passu Debt of such series or (y) there has been a legal defeasance or covenant defeasance pursuant to the terms of the applicable Security Documents for such Series of Specified Pari Passu Debt; and

(2) payment in full in cash of all other Specified Pari Passu Obligations that are outstanding and unpaid at the time the Specified Pari Passu Debt is paid in full in cash (or the cash collateralization of any such Obligations on terms satisfactory to the applicable holder thereof) (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time);

provided, however, that if, at any time after the Discharge of Specified Pari Passu Obligations has occurred, the Issuer thereafter enters into any Specified Pari Passu Document evidencing a Specified Pari Passu Debt the incurrence of which is not prohibited by any applicable Security Document, then such Discharge of Specified Pari Passu Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement with respect to such new Specified Pari Passu Debt (other than with respect to any actions taken

as a result of the occurrence of such first Discharge of Specified Pari Passu Obligations), and, from and after the date on which the Issuer designates such Indebtedness as Specified Pari Passu Debt in accordance with Section 3.8, the Obligations under such Specified Pari Passu Document shall automatically and without any further action be treated as Specified Pari Passu Obligations for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein.

“Excess First-Out Authorized Representative” means the Authorized Representative in respect of any Excess First-Out Obligations.

“Excess First-Out Debt” means any Indebtedness secured on a *pari passu* basis with the Pari Passu Obligations that would have otherwise constituted First-Out Debt but for the limitation on such incurrence under Section 4.11(b)(1) of the Indenture (as in effect on the date hereof).

“Excess First-Out Document” means, collectively, each credit agreement, debt facility, commercial paper facility, indenture, trust deed, note purchase agreement or other facility, agreement, instrument or arrangement pursuant to which any Excess First-Out Obligations are incurred and secured in accordance with the terms of the Security Documents. For avoidance of doubt, the same Pari Passu Document may evidence or govern both First-Out Obligations and Excess First-Out Obligations but shall be a First-Out Document with respect to the First-Out Obligations evidenced thereunder and an Excess First-Out Document with respect to Excess First-Out Obligations evidenced thereunder.

“Excess First-Out Obligations” means Excess First-Out Debt, together with all interest and fees thereon, and any Obligations in respect thereof.

“Excess First-Out Secured Parties” means each holder of an Excess First-Out Obligation, including each Excess First-Out Representative and the Collateral Trustee.

“Excluded Assets” shall have the meaning set forth in the Pledge and Security Agreement.

“First-Out Authorized Representative” means in the case of any Series of First-Out Debt, the First-Out Lender and any other agent, trustee or counterparty who is appointed as a representative of such First-Out Debt (for purposes related to the administration of the applicable First-Out Documents) pursuant to the credit agreement, debt facility, commercial paper facility, indenture, trust deed, note purchase agreement or other facility, agreement, instrument, or arrangement governing such Series of First-Out Debt and that executes and delivers or cause to deliver an Additional Pari Passu Debt Designation in accordance with Section 3.8(a) and a Collateral Trust Joinder in accordance with Section 3.8(b).

“First-Out Cash Management Arrangements” means a Cash Management Arrangement with a First-Out Cash Management Counterparty which creates First-Out Cash Management Obligations.

“First-Out Cash Management Counterparty” has the meaning set forth in the definition of “First-Out Cash Management Obligations”.

“First-Out Cash Management Obligations” means all obligations owing to any First-Out Authorized Representative or any of its Affiliates or a Person that is or was a lender under any First-Out Debt or any Affiliate of any such lender, in each case at the time the First-Out Cash Management Arrangements which created such obligations were entered into or which existed at the time the First-Out Document became effective (each such Person, a **“First-Out Cash Management Counterparty”**).

“First-Out Credit Agreement” has the meaning set forth in the recitals.

“First-Out Debt” means Indebtedness secured on a *pari passu* basis with the Pari Passu Obligations, including all Indebtedness incurred under the First-Out Credit Agreement, which Indebtedness was permitted to be incurred pursuant to Section 4.11(b)(1) of the Indenture and any guarantees thereof that are permitted to be incurred and so secured under the terms of the Indenture and each applicable Security Document; *provided* that:

(i) on or prior to the incurrence of such Indebtedness, such Indebtedness is designated by the Issuer, in an Officer's Certificate delivered to the Collateral Trustee and each Authorized Representative, as both "Pari Passu Debt" and "First-Out Debt" for the purposes of the Security Documents;

(ii) a First-Out Authorized Representative is designated with respect to such Indebtedness and executes and delivers or cause to deliver to the Collateral Trustee (A) an Additional Pari Passu Debt Designation in accordance with Section 3.8(a), and (B) a Collateral Trust Joinder in accordance with Section 3.8(b);

(iii) all requirements set forth in this Agreement as to the confirmation, grant or perfection of the Collateral to secure such Indebtedness are satisfied (and the satisfaction of such requirements and the other provisions of this clause (iii) will be conclusively established, absent manifest error, if the Issuer delivers to the Collateral Trustee an Officer's Certificate stating that such requirements and other provisions have been satisfied and that such debt constitutes First-Out Debt); and

(iv) such Indebtedness is *pari passu* in right of payment with each other Series of First-Out Debt (it being understood that there may be different Series of First-Out Debt with different maturities and amortization profiles, but the principal amount of Indebtedness under all such series must be *pari passu* in right of payment) and does not have any senior or junior rights with respect to the application of proceeds from Collateral other than as provided herein.

For the avoidance of doubt, Excess First-Out Debt shall not constitute First-Out Debt but shall constitute Pari Passu Debt.

"First-Out Documents" means, collectively, each First-Out Cash Management Arrangement, and any credit agreement, debt facility, commercial paper facility, indenture, trust, deed, note purchase agreement or other facility, agreement, instrument or arrangement pursuant to which any First-Out Obligations are incurred and secured in accordance with the terms of the Security Documents.

"First-Out Lender" has the meaning set forth in the preamble.

"First-Out Obligations" means the First-Out Debt and all other "Obligations" (or equivalent term) in connection with under a Series of First-Out Debt under an applicable First-Out Document in respect thereof; *provided* that, for the avoidance of doubt, Excess First-Out Obligations shall not constitute First-Out Obligations but shall constitute Pari Passu Obligations.

"First-Out Secured Parties" means each holder of a First-Out Obligation, including each First-Out Authorized Representative and the Collateral Trustee.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date.

"Grantor" means each Person that at any time provides collateral security for any Pari Passu Obligations.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided* that the term "Guarantee" does not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means, each person who has Guaranteed payment of any Pari Passu Obligations.

“**Indebtedness**” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money or advances or;

(2) evidenced by loan agreements, indentures, bonds, notes (including seller notes), debentures or similar instruments, letters of credit, bankers’ acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers’ acceptances issued in respect of trade payables.

“**Indemnified Liabilities**” means any and all liabilities (including all environmental liabilities), obligations, losses, damages, penalties, actions, judgments, suits, costs, taxes, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, performance, administration or enforcement of this Agreement or any of the other Security Documents, including any of the foregoing relating to the use of proceeds of any Pari Passu Debt or the violation of, noncompliance with or liability under, any law (including environmental laws) applicable to or enforceable against the Issuer, any of its Subsidiaries or any other Grantor or any of the Collateral and all reasonable costs and expenses (including reasonable fees and expenses of legal counsel selected by the Indemnitee) incurred by any Indemnitee in connection with any claim, action, investigation or proceeding in any respect relating to any of the foregoing, whether or not suit is brought.

“**Indemnitee**” has the meaning set forth in Section 7.10(a).

“**Indenture**” has the meaning set forth in the recitals.

“**Indenture Secured Parties**” means each of the Collateral Trustee, the Trustee and the Holders (as defined in the Indenture) of the Notes.

“**Intercreditor Agreement**” means that certain First Lien/Second Lien/Third Lien/Fourth Lien Intercreditor Agreement, dated as of August 4, 2025, by and among the Issuer, the subsidiary guarantors from time to time party thereto, the Collateral Trustee, Continental General Insurance Company and each of the other representatives and/or other parties from time to time party thereto, as amended, restated, amended and restated, supplemented or otherwise modified or replaced from time to time.

“**Insolvency or Liquidation Proceeding**” means:

(1) any voluntary or involuntary case commenced by or against the Issuer or any other Grantor under Title 11, U.S. Code or any similar federal or state law for the relief of debtors, any other proceeding for the reorganization, recapitalization, receivership, liquidation or adjustment or marshalling of the assets or liabilities of the Issuer or any other Grantor, any receivership or assignment for the benefit of creditors relating to the Issuer or any other Grantor or any similar case or proceeding relative to the Issuer or any other Grantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to the Issuer or any other Grantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of the Issuer or any other Grantor are determined and any payment or distribution is or may be made on account of such claims.

“**Issue Date**” means the date on which the Notes are originally issued under the Indenture.

“**Issuer**” has the meaning set forth in the preamble.

“**Last-Out Authorized Representative**” means each Authorized Representative other than a First-Out Authorized Representative.

“**Last-Out Obligations**” means all Pari-Passu Obligations other than First-Out Obligations.

“**Last-Out Secured Parties**” means each Secured Party other than any First-Out Secured Party.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease), to secure payment of a debt or performance of an obligation and any option, call, trust (contractual, statutory, deemed, equitable, constructive, resulting or otherwise), UCC Financing Statement, any right of set-off or recoupment or preferential arrangement having the practical effect of any of the foregoing.

“**Modification**” has the meaning set forth in Section 3.8(d)(1).

“**Moody’s**” means Moody’s Investors Service, Inc., and its successors.

“**Mortgage**” shall mean an agreement, including a mortgage, deed of trust or any other document, creating and evidencing a Pari Passu Lien on a Mortgaged Property, which in the case of real property owned in fee, shall in form and substance, with such schedules and including such provisions, as shall be necessary to conform such document to applicable local or foreign law or as shall be customary under applicable local or foreign legal requirements.

“**Mortgaged Property**” shall mean (1) each Real Property located in the United States owned in fee as of the Issue Date that, together with any improvements thereon, has a fair market value of at least \$5.0 million and (2) each Real Property located in the United States owned in fee following the Issue Date that, together with any improvements thereon, has a fair market value of at least \$5.0 million.

“**Notes**” has the meaning set forth in the recitals.

“**Note Guarantee**” means the Guarantee of the Notes by a Grantor pursuant to the Indenture.

“**Obligations**” means, all obligations (whether in existence on the date hereof or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities under any applicable Pari Passu Document, including all interest accrued or accruing after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

“**Officer’s Certificate**” means a certificate with respect to compliance with a condition or covenant provided for in this Agreement, signed on behalf of the Issuer by an officer of the Issuer, who must be any of the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuer, including:

(a) a statement that the Person making such certificate has read such covenant or condition;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

“**Pari Passu Debt**” means:

(1) the Notes issued on the date of the Indenture;

(2) any First-Out Debt;

(3) any Excess First-Out Debt;

(4) any other Indebtedness of the Issuer that is secured equally and ratably with the Notes, the First-Out Obligations and the Excess First-Out Obligations by a Pari Passu Lien that was permitted to be incurred and so secured under each applicable Pari Passu Document; *provided*, that:

(a) on or before the date on which such Indebtedness is incurred by the Issuer, such Indebtedness is designated by the Issuer as “Pari Passu Debt” for the purposes of the Indenture and this Agreement in a Pari Passu Obligation Designation executed and delivered in accordance with Section 3.8(a);

(b) unless such Indebtedness is issued under an existing Pari Passu Document for any Series of Pari Passu Debt whose Authorized Representative is already party to this Agreement, the Authorized Representative for such Indebtedness executes and delivers a Collateral Trust Joinder in accordance with Section 3.8(b); and

(c) all other requirements set forth in Section 3.8 have been complied with.

“**Pari Passu Debt Default**” means any event or condition that, under the terms of any credit agreement, indenture or other agreement governing any Series of Pari Passu Debt causes, or permits holders of Pari Passu Debt outstanding thereunder (with or without the giving of notice or lapse of time, or both, and whether or not notice has been given or time has lapsed) to cause, the Pari Passu Debt outstanding thereunder to become immediately due and payable.

“**Pari Passu Documents**” means, collectively, the Indenture, the Notes, the Note Guarantees, any First-Out Document, any Excess First-Out Document and any other indenture, credit agreement or other agreement pursuant to which any Pari Passu Debt is incurred and the Security Documents.

“**Pari Passu Lien**” means a Lien granted, or purported to be granted, by a Security Document to the Collateral Trustee, at any time, upon any property of the Issuer or any other Grantor to secure Pari Passu Obligations.

“**Pari Passu Obligations**” means the Pari Passu Debt and all other Obligations in respect of Pari Passu Debt, including without limitation any Post-Petition Interest whether or not allowable, and all guarantees of any of the foregoing. In addition to the foregoing, all Collateral Trustee Obligations shall be deemed to constitute Pari Passu Obligations.

“**Pari Passu Secured Parties**” means holders of Pari Passu Obligations.

“**Permitted Prior Lien**” means any Lien that has priority over the Lien of the Collateral Trustee for the benefit of the Secured Parties which Lien was permitted under each Pari Passu Document.

“**Person**” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“**Pledge and Security Agreement**” has the meaning set forth in the recitals.

“**Post-Petition Interest**” means interest, fees, expenses and other charges that pursuant to the Pari Passu Documents continue to accrue after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest, fees, expenses and other charges are allowed or allowable under the Bankruptcy Code or in any such Insolvency or Liquidation Proceeding.

“**Premises**” shall have the meaning assigned thereto in the applicable Mortgage.

“**Purchase Event**” has the meaning set forth in Section 7.22.

“**Purchasers**” has the meaning set forth in Section 7.22.

“**Reaffirmation Agreement**” means an agreement reaffirming the security interests granted to the Collateral Trustee in substantially the form attached as Exhibit 1 to Exhibit A of this Agreement

“**Real Property**” shall mean, collectively, all right, title and interest (including any leasehold, fee, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

“**S&P**” means S&P Global Ratings or any successor thereto.

“**Sale Proceeds**” means the proceeds from the sale of the Issuer or one or more of the Grantors as a going concern.

“**Secured Parties**” means the Indenture Secured Parties, the Last-Out Secured Parties, the First-Out Secured Parties, the Pari Passu Secured Parties, the Excess First-Out Secured Parties and the other holders of Pari Passu Obligations, each Authorized Representative and the Collateral Trustee.

“**Security Documents**” means this Agreement, the Pledge and Security Agreement, the Mortgages, each Collateral Trust Joinder, each “Security Document” (as defined in the First-Out Credit Agreement (as in effect on the date hereof)) and any other mortgages, deeds of trust, deeds to secure debt, security agreements, security trust agreements, pledge agreements, joinders, agency agreements, control agreements, financing statements or other grants or transfers for security executed and delivered by the Issuer or any other Grantor creating (or purporting to create) a Lien upon Collateral in favor of the Collateral Trustee, for the benefit of any of the Secured Parties, in each case, as amended, modified, renewed, restated or replaced, in whole or in part, from time to time, in accordance with its terms and Section 7.1.

“**Series of First-Out Debt**” means, severally, the First-Out Debt under an issue or series of First-Out Debt. For purposes hereof, obligations arising under any Cash Management Arrangement and characterized as “Obligations” (or equivalent term) under a Series of First-Out Debt shall be considered to be part of the same series as such Series of First-Out Debt.

“**Series of Pari Passu Debt**” means, severally, the Notes, any Series of First-Out Debt and each other issue or series of Pari Passu Debt. For the avoidance of doubt, all reimbursement obligations in respect of letters of credit issued pursuant to a Pari Passu Document shall be part of the same Series of Pari Passu Debt as all other Pari Passu Debt incurred pursuant to such Pari Passu Document.

“**Series of Specified Pari Passu Debt**” means, severally, the Specified Pari Passu Debt under an issue or series of Specified Pari Passu Debt.

“**Specified Pari Passu Debt**” means all Pari Passu Debt other than First-Out Debt and Excess First-Out Debt.

“**Specified Pari Passu Documents**” means any Pari Passu Documents other than First-Out Documents and Excess First-Out Documents.

“**Specified Pari Passu Obligations**” means all Pari Passu Obligations other than First-Out Obligations and Excess First-Out Obligations.

“**Specified Pari Passu Secured Parties**” means each holder of a Specified Pari Passu Obligation.

“**Subsidiary**” means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such Person and one or more Subsidiaries of such Person (or a combination thereof).

“**Trustee**” has the meaning set forth in the recitals.

“**Trust Estate**” has the meaning set forth in Section 2.1.

“**UCC**” means the Uniform Commercial Code as in effect from time to time in the State of New York; *provided, however*, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such perfection, priority or remedies.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

SECTION 1.2 Other Definition Provisions.

(a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule, Exhibit and Annex references, are to this Agreement unless otherwise specified. References to any Schedule, Exhibit or Annex shall mean such Schedule, Exhibit or Annex as amended or supplemented from time to time in accordance with this Agreement.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) The expressions “payment in full,” “paid in full” and any other similar terms or phrases when used herein shall mean payment in cash in immediately available funds.

(d) The use herein of the word “include” or “including,” when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

(e) All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

(f) All terms used in this Agreement that are defined in Article 9 of the UCC and not otherwise defined herein have the meanings assigned to them in Article 9 of the UCC.

(g) Notwithstanding anything to the contrary in this Agreement, any references contained herein to any section, clause, paragraph, definition or other provision of the Indenture (including any definition contained therein) shall be deemed to be a reference to such section, clause, paragraph, definition or other provision as in effect on the date of this Agreement; *provided*, that any reference to any such section, clause, paragraph or other provision shall refer to such section, clause, paragraph or other provision of the Indenture (including any definition contained therein) as amended or modified from time to time if such amendment or modification has been (1) made in accordance with the Indenture and (2) approved in a writing delivered to the Trustee and the Collateral Trustee by, or on behalf of, the requisite Secured Parties as are needed (if any) under the terms of the applicable Pari Passu Documents to approve such amendment or modification. Unless otherwise set forth herein, references to principal

amount shall include, without duplication, any reimbursement obligations with respect to a letter or credit and the face amount thereof (whether or not such amount is, at the time of determination, drawn or available to be drawn).

This Agreement and the other Security Documents will be construed without regard to the identity of the party who drafted it and as though the parties participated equally in drafting it. Consequently, each of the parties acknowledges and agrees that any rule of construction that a document is to be construed against the drafting party will not be applicable either to this Agreement or the other Security Documents.

ARTICLE 2. THE TRUST ESTATE

SECTION 2.1 Declaration of Trust.

To secure the payment of the Pari Passu Obligations and in consideration of the premises and mutual agreements set forth in this Agreement, each of the Grantors hereby confirms the grant to the Collateral Trustee, its successors and permitted assigns, and the Collateral Trustee hereby accepts and agrees to hold, in trust under this Agreement for the benefit of all current and future Secured Parties, all of such Grantor's right, title and interest in, to and under all Collateral, now or hereafter granted to the Collateral Trustee under any Security Document for the benefit of the Secured Parties, together with all of the Collateral Trustee's right, title and interest in, to and under the Security Documents, and all interests, rights, powers and remedies of the Collateral Trustee thereunder or in respect thereof and all cash and non-cash proceeds thereof (collectively, the "*Trust Estate*").

The Collateral Trustee and its successors and assigns under this Agreement will hold the Trust Estate in trust for the benefit solely and exclusively of all current and future Secured Parties as security for the payment of all present and future Pari Passu Obligations.

Notwithstanding the foregoing, if at any time:

- (1) all Liens securing the Pari Passu Obligations have been released as provided in Section 4.1;
- (2) the Collateral Trustee holds no other property in trust as part of the Trust Estate;
- (3) no monetary obligation (other than indemnification and other contingent obligations not then due and payable) is outstanding and payable under this Agreement to the Collateral Trustee or any of its co-trustees or agents (whether in an individual or representative capacity);
- (4) the Issuer delivers to the Collateral Trustee an Officer's Certificate stating that all Pari Passu Liens of the Collateral Trustee have been released in compliance with all applicable provisions of the Pari Passu Documents and that the Grantors are not required by any Pari Passu Document to grant any Pari Passu Lien upon any property; and
- (5) if requested by the Collateral Trustee, the Issuer delivers to the Collateral Trustee an Opinion of Counsel in a form reasonably satisfactory to the Collateral Trustee stating that, in the opinion of such counsel, all conditions precedent under this Section 2.1 to the termination of this trust have been complied with.

then the trust arising hereunder will terminate (subject to any reinstatement pursuant to Section 7.19 hereof), except that all provisions set forth in Sections 7.10 and 7.11 that are enforceable by the Collateral Trustee or any of its co-trustees or agents (whether in an individual or representative capacity) will remain enforceable in accordance with their terms.

The parties further declare and covenant that the Trust Estate will be held and distributed by the Collateral Trustee subject to the further agreements herein.

SECTION 2.2 Collateral Shared Equally and Ratably.

(a) The parties to this Agreement agree that the payment and satisfaction of all of the Pari Passu Obligations will be secured equally and ratably by the Liens established in favor of the Collateral Trustee for the benefit of the Secured Parties, notwithstanding the time of incurrence of any Pari Passu Obligations or the date, time, method or order of grant, attachment or perfection of any Liens securing such Pari Passu Obligations and notwithstanding any provision of the UCC, the time of incurrence of any Series of Pari Passu Debt or the time of incurrence of any other Pari Passu Obligation, or any other applicable law or any defect or deficiencies in, or failure to perfect or lapse in perfection of, or avoidance as a fraudulent conveyance or otherwise of, the Liens securing the Pari Passu Obligations, the subordination of such Liens to any other Liens, or any other circumstance whatsoever, whether or not any Insolvency or Liquidation Proceeding has been commenced against the Issuer or any other Grantor, it is the intent of the parties that, and the parties hereto agree for themselves and Secured Parties represented by them that, all Pari Passu Obligations will be and are secured equally and ratably by all Pari Passu Liens at any time granted by the Issuer or any other Grantor to secure any Obligations in respect of any Series of Pari Passu Debt, whether or not upon property otherwise constituting collateral for such Series of Pari Passu Debt, and that all such Pari Passu Liens will be enforceable by the Collateral Trustee for the benefit of all Secured Parties equally and ratably; *provided, however*, that notwithstanding the foregoing, this provision will not be violated with respect to any particular Collateral and any particular Series of Pari Passu Debt if the Security Documents in respect thereof prohibit the applicable Authorized Representative from accepting the benefit of a Lien on any particular asset or property or such Authorized Representative otherwise expressly declines in writing to accept the benefit of a Lien on such asset or property;

(b) Notwithstanding anything herein to the contrary, each First-Out Authorized Representative will have the exclusive right to deal with that portion of the Collateral consisting of cash collateral held to cash collateralize letter of credit obligations under its applicable First-Out Document, including exercising rights under control agreements with respect to such accounts.

ARTICLE 3. OBLIGATIONS AND POWERS OF COLLATERAL TRUSTEE

SECTION 3.1 Appointment and Undertaking of the Collateral Trustee.

(a) Each Secured Party acting through its respective Authorized Representative and/or by its acceptance of the benefits of the Security Documents hereby appoints the Collateral Trustee to serve as Collateral Trustee hereunder on the terms and conditions set forth herein. Subject to, and in accordance with, this Agreement, the Collateral Trustee will, as Collateral Trustee, for the benefit solely and exclusively of the present and future Secured Parties, in accordance with the terms of this Agreement:

(1) accept, enter into, hold, maintain, administer and enforce all Security Documents, including all Collateral subject thereto, and all Liens created thereunder, perform its obligations hereunder and under the Security Documents and protect, exercise and enforce the interests, rights, powers and remedies granted or available to it under, pursuant to or in connection with the Security Documents;

(2) take all lawful and commercially reasonable actions permitted under the Security Documents that it may deem necessary or advisable to protect or preserve its interest in the Collateral subject thereto and such interests, rights, powers and remedies;

(3) deliver and receive notices pursuant to this Agreement and the Security Documents;

(4) sell, assign, collect, assemble, foreclose on, institute legal proceedings with respect to, or otherwise exercise or enforce the rights and remedies of a secured party (including a mortgagee, trust deed beneficiary and insurance beneficiary or loss payee) with respect to the Collateral, or otherwise realize on the Collateral, under the Security Documents and its other interests, rights, powers and remedies;

(5) remit as provided in Section 3.4 all cash proceeds received by the Collateral Trustee from the collection, foreclosure or enforcement of its interest in the Collateral under the Security Documents or any of its other interests, rights, powers or remedies;

(6) execute and deliver (i) amendments and supplements to the Security Documents as from time to time authorized pursuant to Section 7.1 accompanied by an Officer's Certificate to the effect that the amendment or supplement was permitted under Section 7.1 and (ii) acknowledgements of Collateral Trust Joinders delivered pursuant to Section 3.8 or 7.21 hereof;

and
(7) release any Lien granted to it by any Security Document upon any Collateral if and as required by Section 3.2 or Article 4;

(8) act or decline to act in connection with any enforcement of Liens as provided in Section 3.3.

(b) Each party to this Agreement acknowledges and consents to the undertaking of the Collateral Trustee set forth in Section 3.1(a) and agrees to each of the other provisions of this Agreement applicable to the Collateral Trustee.

(c) Notwithstanding anything to the contrary contained in this Agreement, the Collateral Trustee will not commence any exercise of remedies or any foreclosure actions or otherwise take any action or proceeding against any of the Collateral (other than actions as necessary to prove, protect or preserve the Liens securing the Pari Passu Obligations) unless and until it shall have been directed in writing by an Act of Required Secured Parties and then only in accordance with the provisions of this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, neither the Issuer nor any of its Affiliates may serve as Collateral Trustee.

SECTION 3.2 Release or Subordination of Liens. The Collateral Trustee will not release or subordinate any Lien of the Collateral Trustee or consent to the release or subordination of any Lien of the Collateral Trustee, except:

(a) as directed by the requisite percentage or number of holders of each Series of Pari Passu Debt at the time outstanding as provided for in the applicable Pari Passu Documents governing such Series of Pari Passu Debt, and in each case, accompanied by an Officer's Certificate to the effect that the release or subordination was permitted by each applicable Security Document;

(b) as required by Article 4; or

(c) as ordered pursuant to applicable law under a final and nonappealable order or judgment of a court of competent jurisdiction;

SECTION 3.3 Enforcement of Liens. If the Collateral Trustee at any time receives written notice that any event of default shall have occurred and be continuing under the Indenture, a First-Out Document, Excess First-Out Document or any other Pari Passu Document entitling the Collateral Trustee to foreclose upon, collect or otherwise enforce its Liens under the Security Documents, the Collateral Trustee will promptly deliver written notice thereof to each Authorized Representative. Thereafter, the Collateral Trustee may await direction by an Act of Required Secured Parties and will act, or decline to act, as directed by an Act of Required Secured Parties, in the exercise and enforcement of the Collateral Trustee's interests, rights, powers and remedies in respect of the Collateral or under the Security Documents or applicable law and, following the initiation of such exercise of remedies, the Collateral Trustee will act, or decline to act, with respect to the manner of such exercise of remedies as directed by an Act of Required Secured Parties. Unless it has been directed to the contrary by an Act of Required Secured Parties, the Collateral Trustee in any event may (but will not be obligated to) take or refrain from taking such action with respect to any default under any Pari Passu Document as it may deem advisable and in the best interest of the Secured Parties.

SECTION 3.4 Application of Proceeds.

(a) The Collateral Trustee will apply the proceeds of any collection, sale, foreclosure or other realization upon, or exercise of any right or remedy with respect to, any Collateral and the proceeds thereof, Sale Proceeds, and the proceeds of any title insurance or other insurance policy required under any Pari Passu Document or otherwise covering the Collateral in the following order of application:

FIRST, to the payment of all amounts payable under this Agreement on account of the Collateral Trustee's fees and any reasonable legal fees, costs and expenses or other liabilities of any kind incurred by the Collateral Trustee or any co-trustee or agent of the Collateral Trustee in connection with any Security Document (including, but not limited to, indemnification obligations that are then due and payable) (collectively, the "***Collateral Trustee Obligations***");

SECOND, to the repayment of obligations, other than the Pari Passu Obligations, secured by a Permitted Prior Lien on the Collateral sold or realized upon to the extent that such other Lien has priority over the Pari Passu Liens but only if such obligation is discharged (in whole or in part) in connection with such sale;

THIRD, equally and ratably to each First-Out Authorized Representative for application to the equal and ratable payment of all outstanding First-Out Obligations that are then due and payable in such order as may be provided in the First-Out Documents in an amount sufficient to cause the Discharge of First-Out Obligations;

FOURTH, after the Discharge of First-Out Obligations, to the respective Authorized Representatives, on a pro rata basis for each Series of Specified Pari Passu Debt, for application to the payment of all such outstanding Specified Pari Passu Debt and any such other outstanding Specified Pari Passu Obligations that are then due and payable and so secured (for application in such order as may be provided in the Specified Pari Passu Documents applicable to the respective Specified Pari Passu Obligations) in an amount sufficient to pay in full in cash all outstanding Specified Pari Passu Debt and all other Specified Pari Passu Obligations that are then due and payable (including all interest and fees accrued thereon after the commencement of any Insolvency or Liquidation Proceeding at the rate, including any applicable post-default rate, specified in the Specified Pari Passu Documents, even if such interest is not enforceable, allowable or allowed as a claim in such proceeding, and including the discharge or cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Specified Pari Passu Document) of all outstanding letters of credit, if any, constituting Specified Pari Passu Debt);

FIFTH, to each Excess First-Out Authorized Representative for application to the equal and ratable payment of any Excess First-Out Obligations that are then due and payable in such order as may be provided in the Excess First-Out Documents in an amount sufficient to cause the Discharge of Excess First-Out Obligations; and

SIXTH, any surplus remaining after the payment in full in cash of amounts described in the preceding clauses will be paid to the Issuer or the applicable Grantor, as the case may be, its successors or assigns, or to such other Persons as may be entitled to such amounts under any other intercreditor arrangement, applicable law or as a court of competent jurisdiction may direct.

Notwithstanding the foregoing, if any Series of Pari Passu Debt has released its Lien on any Collateral as described in Section 4.4 below, then such Series of Pari Passu Debt and any related Pari Passu Obligations of that series thereafter shall not be entitled to share in the proceeds of any Collateral so released by that series.

(b) After the occurrence and during the continuance of an event of default under and as defined in any First-Out Document, if any Last-Out Authorized Representative or Last-Out Secured Party exercises any rights of set-off, banker's liens or consolidation of accounts prior to the Discharge of First-Out Obligations, the relevant Last-Out Authorized Representative or Last-Out Secured Party shall immediately segregate and hold an amount equal to the amount so discharged in trust for application to the First-Out Obligations and forthwith deliver such amount to the Collateral Trustee to be applied pursuant to this Section 3.4. The foregoing sentence regarding the

treatment of First-Out Obligations relative to Last-Out Obligations shall apply *mutatis mutandis* to the treatment of Specified Pari Passu Obligations relative to Excess First-Out Obligations.

(c) This Section 3.4 is intended for the benefit of, and will be enforceable as a third party beneficiary by, each present and future holder of Pari Passu Obligations, each present and future Authorized Representative and the Collateral Trustee as holder of Pari Passu Liens. The Authorized Representative of each future Series of Pari Passu Debt will be required to deliver a Collateral Trust Joinder including a lien sharing and priority confirmation as provided in Section 3.8 at the time of incurrence of such Series of Pari Passu Debt.

(d) In connection with the application of proceeds pursuant to Section 3.4(a), except as otherwise directed by an Act of Required Secured Parties, the Collateral Trustee may sell any non-cash proceeds for cash prior to the application of the proceeds thereof.

(e) In making the determinations and allocations in accordance with Section 3.4(a), the Collateral Trustee may conclusively rely upon information supplied by the relevant Authorized Representative, as to the amounts of unpaid principal and interest and other amounts outstanding with respect to its respective Pari Passu Debt and any other Pari Passu Obligations.

SECTION 3.5 Powers of the Collateral Trustee.

(a) The Collateral Trustee is irrevocably authorized and empowered to enter into and perform its obligations and protect, perfect, exercise and enforce its interest, rights, powers and remedies under the Security Documents and applicable law and in equity and to act as set forth in this Article 3 or, subject to the other provisions of this Agreement, as requested in any lawful directions given to it from time to time in respect of any matter by an Act of Required Secured Parties.

(b) No Authorized Representative or Secured Party (other than the Collateral Trustee) will have any liability whatsoever for any act or omission of the Collateral Trustee.

SECTION 3.6 Documents and Communications. The Collateral Trustee will permit each Authorized Representative and each Secured Party upon reasonable written notice from time to time to inspect and copy, at the cost and expense of the party requesting such copies, any and all Security Documents and other documents, notices, certificates, instructions or communications received by the Collateral Trustee in its capacity as such.

SECTION 3.7 For Sole and Exclusive Benefit of the Secured Parties. The Collateral Trustee will accept, hold, administer and enforce all Liens on the Collateral at any time transferred or delivered to it and all other interests, rights, powers and remedies at any time granted to or enforceable by the Collateral Trustee and all other property of the Trust Estates solely and exclusively for the benefit of the present and future holders of present and future Pari Passu Obligations, and will distribute all proceeds received by it in realization thereon or from enforcement thereof solely and exclusively pursuant to the provisions of Section 3.4.

SECTION 3.8 Additional Pari Passu Obligations.

(a) The Collateral Trustee will, as Collateral Trustee hereunder, perform its undertakings set forth in this Agreement with respect to any Pari Passu Debt that is issued or incurred after the date hereof if:

(1) such Pari Passu Debt is identified as Pari Passu Debt in accordance with the procedures set forth in Section 3.8(b); and

(2) unless such Indebtedness is issued under an existing Pari Passu Document for any Series of Pari Passu Debt whose Authorized Representative is already party to this Agreement, the designated Authorized Representative identified pursuant to Section 3.8(b) signs a Collateral Trust Joinder and delivers the same to the Collateral Trustee.

Notwithstanding the foregoing, (x) the incurrence of revolving credit obligations under commitments that have previously been designated as Pari Passu Debt, including under a First-Out Document, and (y) the issuance of letters of credit and incurrence of reimbursement obligations in respect thereof under commitments that have previously been designated as Pari Passu Debt, including under a First-Out Document, shall automatically constitute Pari Passu Debt and shall not require compliance with the procedures set forth in Section 3.8(b).

(b) The Issuer will be permitted to designate as Pari Passu Debt hereunder any Indebtedness that is incurred by the Issuer or any other Grantor after the date of this Agreement in accordance with the terms of all applicable Pari Passu Documents. The Issuer may only effect such designation by delivering to the Collateral Trustee an Additional Pari Passu Designation substantially in the form of Exhibit A and a Collateral Trust Joinder substantially in the form of Exhibit B that:

(1) states that the Issuer or such other Grantor intends to incur, or has incurred, additional Pari Passu Debt (“**Additional Pari Passu Obligations**”) which will be (as specified in such Pari Passu Debt Designation) Pari Passu Debt not prohibited by any Pari Passu Document to be incurred and secured by a Pari Passu Lien equally and ratably with all previously existing and future Pari Passu Debt;

(2) if applicable, specifies that such Pari Passu Debt constitutes First-Out Debt;

(3) specifies the name and address of the Authorized Representative for such Pari Passu Obligations for purposes of this Agreement including Section 7.7;

(4) states that the Issuer and each other Grantor has duly authorized, executed (if applicable) and recorded (or caused to be recorded) in each appropriate governmental office all relevant filings and recordations to ensure that the Additional Pari Passu Obligations are secured by the Collateral in accordance with the Pari Passu Documents;

(5) attaches as Exhibit 1 to such Additional Pari Passu Designation a Reaffirmation Agreement in substantially the form attached as Exhibit 1 to Exhibit A of this Agreement, which Reaffirmation Agreement has been duly executed by the Issuer and each other Grantor; and

(6) states that the Issuer has caused a copy of the Collateral Trust Joinder to be delivered to each then existing Authorized Representative.

Although the Issuer shall be required to deliver a copy of each Collateral Trust Joinder to each then existing Authorized Representative, the failure to so deliver a copy of the Collateral Trust Joinder to any then existing Authorized Representative shall not affect the status of such debt as Additional Pari Passu Obligations if the other requirements of this Section 3.8 are complied with. Each of the Collateral Trustee and any then existing Authorized Representative shall have the right to request that the Issuer provide a legal opinion of counsel as to the Additional Pari Passu Obligations being secured by a valid and perfected security interest in the Collateral. Notwithstanding the foregoing, nothing in this Agreement will be construed to allow the Issuer or any other Grantor to incur additional Indebtedness or Liens if prohibited by the terms of any Pari Passu Documents.

(c) With respect to any Pari Passu Debt that is issued or incurred after the date hereof, the Issuer and each of the other Grantors agrees to take such actions (if any) as may from time to time reasonably be requested by the Collateral Trustee, any Authorized Representative or any Act of Required Secured Parties, and enter into such technical amendments, modifications and/or supplements to the then existing Guarantees and Security Documents (or execute and deliver such additional Security Documents) as may from time to time be reasonably requested by such Persons (including as contemplated by clause (d) below), to ensure that the Additional Pari Passu Obligations are secured by, and entitled to the benefits of, the relevant Security Documents, and each Secured Party (by its acceptance of the benefits hereof) hereby agrees to, and authorizes the Collateral Trustee to enter into, any such technical amendments, modifications and/or supplements (and additional Security Documents). The Issuer and each Grantor hereby further agree that, if there are any recording, filing or other similar fees payable in connection with any of the actions to be taken pursuant to this Section 3.8(c) or Section 3.8(d), all such amounts shall be paid by, and shall be for the account of, the Issuer and the respective Grantors, on a joint and several basis.

(d) Without limitation of the foregoing, the Issuer and each of the other Grantors agrees to take the following actions with respect to any Real Property Collateral with respect to all Additional Pari Passu Obligations within 90 days of the later of the delivery of the applicable Additional Pari Passu Designation and the acquisition of any Mortgaged Property or the entry into a lease or sublease in respect thereof:

(1) deliver to the Collateral Trustee, as mortgagee, for the benefit of the Secured Parties, fully executed counterparts of Mortgages or an appropriate mortgage modification (each such modification, a "**Modification**"), duly executed by the Issuer or the applicable Grantor, as the case may be, and corresponding UCC fixture filings, together with evidence of the completion (or satisfactory arrangements for the completion, with evidence of completion provided as soon as reasonably practicable) of all recordings and filings of such Mortgages and corresponding UCC fixture filings as may be necessary to create a valid, perfected Lien, subject to Permitted Prior Liens, against the Premises purported to be covered thereby;

(2) deliver to the Collateral Trustee, (i) mortgagee's title insurance policies in favor of the Collateral Trustee in an amount equal to 100% of the fair market value of the Premises purported to be covered by the related Mortgages, insuring that title to such property is marketable and that the interests created by the Mortgage constitute valid Liens thereon free and clear of all Liens, defects and encumbrances other than Permitted Prior Liens, and such policies shall also include, to the extent available and issued at ordinary rates, customary endorsements and shall be accompanied by evidence of the payment in full (or satisfactory arrangements for the payment in full) of all premiums thereon and (ii) such affidavits, certificates, instruments of indemnification and other items (including a so-called "gap" indemnification) as shall be reasonably required to induce the title insurer to issue the title insurance policies and endorsements referenced herein with respect to each of the Premises;

(3) other than with respect to any Premises owned or leased by the Issuer or a Grantor on the Issue Date, deliver to the Collateral Trustee either (i) new ALTA surveys or (ii) the most recent existing surveys of such Premises, together with either (y) an updated survey certification in favor of the Collateral Trustee from the applicable surveyor stating that, based on a visual inspection of the property and the knowledge of the surveyor, there has been no change in the facts depicted in the survey or (z) an affidavit and/or indemnity from the Issuer or the applicable Grantor, as the case may be, stating that, to its knowledge, there has been no change in the facts depicted in the survey, other than, in each case, changes that do not materially adversely affect the use by the Issuer or such Grantor, as applicable, of such Premises for the Issuer or such Grantor's business as so conducted at such Premises and in each case (i) and (ii), in form and substance sufficient for the title insurer issuing the title policies to remove the standard survey and survey-related exceptions from such policies and issue the survey, survey-related, and other endorsements required pursuant to clause (2) above to such policy;

(4) deliver opinions of counsel to the Collateral Trustee in the jurisdictions where such Premises are located and the jurisdiction of the Issuer or the applicable Grantor, as the case may be, in each case, in form and substance customary in comparable financings, including, but not limited to, opinions stating that such Mortgage (i) has been duly authorized, executed and delivered by the Issuer or such Grantor, (ii) constitutes a legal, valid, binding and enforceable obligation of the Issuer or such Grantor and (iii) is in proper form for recording in order to create, when recorded in the appropriate recording office, a mortgage Lien on the property and a security interest in that part of the property constituting fixtures, and upon proper recording in the appropriate recording office, the Mortgage will make effective such Lien and security interest intended to be created thereby;

(5) deliver to the Collateral Trustee FEMA Standard Flood Hazard Determinations with respect to each of the Premises, notice about special flood hazard area status and flood disaster assistance, and, in the event any such Premises is located in a special flood hazard area, evidence of flood insurance;

(6) such other information, documentation, and certifications as may be necessary in order to create valid, perfected and subsisting Liens against the Premises covered by the Mortgages; and

(7) deliver to the Collateral Trustee an Officer's Certificate that the foregoing requirements have been satisfied.

ARTICLE 4. OBLIGATIONS ENFORCEABLE BY THE ISSUER AND THE OTHER
GRANTORS

SECTION 4.1 Release of Liens on Collateral.

(a) The Collateral Trustee's Liens upon the Collateral will be released in any of the following circumstances:

(1) in whole, upon (A) payment in full and discharge of all outstanding Pari Passu Debt and all other Pari Passu Obligations that are outstanding, due and payable at the time all of the Pari Passu Debt is paid in full and discharged and (B) termination or expiration of all commitments to extend credit under all Pari Passu Documents and the cancellation or termination, cash collateralization (at the lower of (1) 105% of the aggregate undrawn amount and (2) the percentage of the aggregate undrawn amount required for release of Liens under the terms of the applicable Pari Passu Documents) of all outstanding letters of credit issued pursuant to any Security Documents or, solely to the extent if any agreed to by the issuer of any outstanding letter of credit issued pursuant to any Security Document, the issuance of a back to back letter of credit in favor of the issuer of any such outstanding letter of credit in an amount equal to such outstanding letter of credit and issued by a financial institution acceptable to such issuer;

(2) as to any Collateral that is sold, transferred or otherwise disposed of by the Issuer or any other Grantor to a Person that is not (either before or after such sale, transfer or disposition) the Issuer or a Subsidiary (as defined under the Indenture (as in effect on the date hereof, or as amended, if the Authorized Representatives of each other Series of Pari Passu Debt have consented to any amendments thereof)) of the Issuer in a transaction or other circumstance that is permitted by Section 4.12 of the Indenture, if any, and is permitted by all of the other Pari Passu Documents, at the time of such sale, transfer or other disposition or to the extent of the interest sold, transferred or otherwise disposed of; *provided*, that the Collateral Trustee's Liens upon the Collateral will not be released if the sale or disposition is subject to the "Merger, Consolidation or Sale of Assets" provisions of the Indenture or subject to the "Fundamental Changes" provisions of the Credit Agreement;

(3) as to a release of less than all or substantially all of the Collateral (other than pursuant to clause (2) above), if (A) consent to the release of all Pari Passu Liens on such Collateral has been given by the requisite percentage or number of holders of each Series of Pari Passu Debt at the time outstanding as provided for in the in the applicable Pari Passu Documents governing such Series of Pari Passu Debt or (B) the Pari Passu Liens on such collateral have been automatically released pursuant to all of the Pari Passu Documents; *provided*, that this clause (3) shall not apply to (i) Discharge of Pari Passu Obligations upon payment in full thereof or (ii) sales or dispositions subject to the "Merger, Consolidation or Sale of Assets" provisions of the Indenture or subject to the "Fundamental Changes" provisions of the Credit Agreement;

(4) as to a release of all or substantially all of the Collateral (other than pursuant to clause (1) above), if (A) consent to release of that Collateral has been given by the requisite percentage or number of holders of each Series of Pari Passu Debt at the time outstanding as provided for in the applicable Pari Passu Documents governing such Series of Pari Passu Debt and (B) the Issuer has delivered an Officer's Certificate to the Collateral Trustee certifying that any such necessary consents have been obtained;

(5) if any Grantor (i) ceases to be a Guarantor (including as a result of ceasing to be a Subsidiary) (ii) is sold, transferred or otherwise disposed of to a Person that is not the Issuer or a Subsidiary (as defined under the Indenture (as in effect on the date hereof, or as amended, if the Authorized Representatives of each other Series of Pari Passu Debt have consented to any amendments thereof)) or (iii) is released from its obligations under each of the Security Documents, then the Liens on such Collateral and the obligations of such Grantor under its Guarantee of the Pari Passu Obligations, shall be automatically, unconditionally and simultaneously released; and

(6) with respect to any Collateral that becomes an Excluded Asset.

(b) The Collateral Trustee agrees for the benefit of the Issuer and the other Grantors that if the Collateral Trustee at any time receives (i) an Officer's Certificate stating that (A) the signing officer has read Article 4 of this Agreement and understands the provisions and the definitions relating hereto, (B) such officer has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not the conditions precedent in this Agreement and all other Security Documents, if any, relating to the release of the Collateral have been complied with and (C) in the opinion of such officer, such conditions precedent, if any, have been complied with, and (ii) if requested by the Collateral Trustee, an Opinion of Counsel in form reasonably satisfactory to the Collateral Trustee stating that in the opinion of such counsel, the conditions precedent, if any, to such release have been complied with, then the Collateral Trustee will execute (with such acknowledgements and/or notarizations as are required) and deliver such release to the Issuer or other applicable Grantor on or before the later of (x) the date specified in such request for such release and (y) the fifth Business Day after the date of receipt of the items required by this Section 4.1(b) by the Collateral Trustee.

(c) The Collateral Trustee hereby agrees that:

(1) in the case of any release pursuant to clause (2) of Section 4.1(a), if the terms of any such sale, transfer or other disposition require the payment of the purchase price to be contemporaneous with the delivery of the applicable release, then, at the written request of and at the expense of the Issuer or other applicable Grantor, the Collateral Trustee will either (A) be present at and deliver the release at the closing of such transaction or (B) deliver the release under customary escrow arrangements that permit such contemporaneous payment and delivery of the release; and

(2) at any time when a Pari Passu Debt Default under a Series of Pari Passu Debt has occurred and is continuing, within one Business Day of the receipt by it of any Act of Required Secured Parties pursuant to Section 4.1(a)(3), the Collateral Trustee will deliver a copy of such Act of Required Secured Parties to each Authorized Representative.

(d) Each Authorized Representative hereby agrees that within one Business Day of the receipt by it of any notice from the Collateral Trustee pursuant to Section 4.1(c)(2), such Authorized Representative will deliver a copy of such notice to each registered holder of the Series of Pari Passu Debt for which it acts as Authorized Representative.

SECTION 4.2 Delivery of Copies to Authorized Representatives. The Issuer will deliver to each Authorized Representative a copy of each Officer's Certificate delivered to the Collateral Trustee pursuant to Section 4.1(b), together with copies of all documents delivered to the Collateral Trustee with such Officer's Certificate. The Authorized Representatives will not be obligated to take notice thereof or to act thereon, subject to Section 4.1(d).

SECTION 4.3 Collateral Trustee Not Required to Serve, File or Record. The Collateral Trustee is not required to serve, file, register or record any instrument releasing or subordinating its Liens on any Collateral; *provided, however*, that if the Issuer or any other Grantor shall make a written demand for a termination statement under Section 9-513(c) of the UCC, the Collateral Trustee shall comply with the written request of such Issuer or Grantor to comply with the requirements of such UCC provision; *provided, further*, that the Collateral Trustee must first confirm with the Authorized Representatives that the requirements of such UCC provisions have been satisfied.

SECTION 4.4 Release of Liens in Respect of any Series of Pari Passu Debt.

(a) *Release of Liens in Respect of the Notes.* In addition to any release pursuant to Section 4.1 hereof, the Collateral Trustee's Lien will no longer secure the Notes outstanding under the Indenture or any other Obligations under the Indenture, and the right of the holders of the Notes and such Obligations to the benefits and proceeds of the Collateral Trustee's Lien on the Collateral will terminate and be discharged:

(1) upon satisfaction and discharge of the Indenture as set forth under Article 12 of the Indenture;

(2) upon a Legal Defeasance or Covenant Defeasance (each as defined under the Indenture (as in effect on the date hereof, or as amended, if the Authorized Representatives of each other Series of Pari Passu Debt have consented to any amendments thereof)) of the Notes as set forth under Article 8 of the Indenture;

(3) upon payment in full and discharge of all Notes outstanding under the Indenture and all Obligations that are outstanding, due and payable under the Indenture at the time the Notes are paid in full and discharged;

(4) in whole or in part, with the consent of the holders of the requisite percentage of Notes in accordance with Article 9 of the Indenture.

(b) The Collateral Trustee agrees for the benefit of the Issuer and the other Grantors that if the Collateral Trustee at any time receives (i) an Officer's Certificate stating that (A) the signing officer has read Article 4 of this Agreement and understands the provisions and the definitions relating hereto, (B) such officer has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not the conditions precedent in this Agreement and all other Security Documents, if any, relating to the release of the Collateral have been complied with and (C) in the opinion of such officer, such conditions precedent, if any, have been complied with, and (ii) if requested by the Collateral Trustee, an Opinion of Counsel in form reasonably satisfactory to the Collateral Trustee stating that in the opinion of such counsel, the conditions precedent, if any, to such release have been complied with, then the Collateral Trustee will execute (with such acknowledgements and/or notarizations as are required) and deliver such release to the Issuer or other applicable Grantor on or before the later of (x) the date specified in such request for such release and (y) the fifth Business Day after the date of receipt of the items required by this Section 4.4(b) by the Collateral Trustee.

(c) *Release of Liens in Respect of Any Series of Pari Passu Debt Other Than the Notes.* In addition to any release pursuant to Section 4.1 hereof, as to any Series of Pari Passu Debt other than the Notes, the Collateral Trustee's Lien will no longer secure such Series of Pari Passu Debt if the requirements of a Discharge of Specified Pari Passu Obligations, Discharge of First-Out Obligations or Discharge of Excess First-Out Obligations, as applicable, are satisfied with respect to such Series of Pari Passu Debt and all Pari Passu Obligations related thereto that are outstanding and unpaid at the time such Series of Pari Passu Debt is paid are also paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time).

ARTICLE 5. IMMUNITIES OF THE COLLATERAL TRUSTEE

SECTION 5.1 No Implied Duty. The Collateral Trustee will not have any fiduciary duties nor will it have responsibilities or obligations other than those expressly assumed by it in this Agreement and the other Security Documents. The Collateral Trustee will not be required to take any action that is contrary to applicable law or any provision of this Agreement or the other Security Documents.

SECTION 5.2 Appointment of Agents and Advisors. The Collateral Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, accountants, appraisers or other experts or advisors selected by it in good faith as it may reasonably require and will not be responsible for any misconduct or negligence on the part of any of them.

SECTION 5.3 Other Agreements. The Collateral Trustee has accepted its appointment as Collateral Trustee hereunder and is bound by the Security Documents executed by the Collateral Trustee as of the date of this Agreement and, as directed by an Act of Required Secured Parties, the Collateral Trustee shall execute additional Security Documents delivered to it after the date of this Agreement; *provided, however*, that such additional Security Documents do not adversely affect the rights, privileges, benefits and immunities of the Collateral Trustee. The Collateral Trustee will not otherwise be bound by, or be held obligated by, the provisions of any credit agreement, indenture or other agreement governing Pari Passu Debt (other than this Agreement and the other Security Documents to which it is a party).

SECTION 5.4 Solicitation of Instructions.

(a) The Collateral Trustee may at any time solicit written confirmatory instructions, in the form of an Act of Required Secured Parties, an Officer's Certificate or an order of a court of competent jurisdiction, as to any action that it may be requested or required to take, or that it may propose to take, in the performance of any of its obligations under this Agreement or the other Security Documents.

(b) No written direction given to the Collateral Trustee by an Act of Required Secured Parties that in the sole judgment of the Collateral Trustee imposes, purports to impose or might reasonably be expected to impose upon the Collateral Trustee any obligation or liability not set forth in or arising under this Agreement and the other Security Documents will be binding upon the Collateral Trustee unless the Collateral Trustee elects, at its sole option, to accept such direction.

SECTION 5.5 Limitation of Liability. The Collateral Trustee will not be responsible or liable for any action taken or omitted to be taken by it hereunder or under any other Security Document, except for its own negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction.

SECTION 5.6 Documents in Satisfactory Form. The Collateral Trustee will be entitled to require that all agreements, certificates, opinions, instruments and other documents at any time submitted to it, including those expressly provided for in this Agreement, be delivered to it in a form and with substantive provisions reasonably satisfactory to it.

SECTION 5.7 Entitled to Rely. The Collateral Trustee may seek and rely upon, and shall be fully protected in relying upon, any judicial order or judgment, upon any advice, opinion or statement of legal counsel, independent consultants and other experts selected by it in good faith and upon any certification, instruction, notice or other writing delivered to it by the Issuer or any other Grantor in compliance with the provisions of this Agreement or delivered to it by any Authorized Representative as to the Secured Parties for whom it acts, without being required to determine the authenticity thereof or the correctness of any fact stated therein or the propriety or validity of service thereof. The Collateral Trustee may act in reliance upon any instrument comporting with the provisions of this Agreement or any signature reasonably believed by it to be genuine and may assume that any Person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof or the other Security Documents has been duly authorized to do so. To the extent an Officer's Certificate or opinion of counsel is required or permitted under this Agreement to be delivered to the Collateral Trustee in respect of any matter, the Collateral Trustee may rely conclusively on such Officer's Certificate or opinion of counsel as to such matter and such Officer's Certificate or opinion of counsel shall be full warranty and protection to the Collateral Trustee for any action taken, suffered or omitted by it under the provisions of this Agreement and the other Security Documents.

SECTION 5.8 Pari Passu Debt Default. The Collateral Trustee will not be required to inquire as to the occurrence or absence of any Pari Passu Debt Default and will not be affected by or required to act upon any notice or knowledge as to the occurrence of any Pari Passu Debt Default unless and until it is directed by an Act of Required Secured Parties.

SECTION 5.9 Actions by Collateral Trustee. As to any matter not expressly provided for by this Agreement or the other Security Documents, the Collateral Trustee will act or refrain from acting as directed by an Act of Required Secured Parties and will be fully protected if it does so, and any action taken, suffered or omitted pursuant to hereto or thereto shall be binding on the Secured Parties.

SECTION 5.10 Security or Indemnity in favor of the Collateral Trustee. The Collateral Trustee will not be required to advance or expend any funds or otherwise incur any financial liability in the performance of its duties or the exercise of its powers or rights hereunder unless it has been provided with security or indemnity satisfactory to it, in its sole discretion, against any and all liability or expense which may be incurred by it by reason of taking or continuing to take such action.

SECTION 5.11 Rights of the Collateral Trustee. In the event of any conflict between any terms and provisions set forth in this Agreement and those set forth in any other Security Document, the terms and provisions of this Agreement shall supersede and control the terms and provisions of such other Security Document. In the event there is any bona fide, good faith disagreement between the other parties to this Agreement or any of the other Security Documents resulting in adverse claims being made in connection with Collateral held by the Collateral Trustee and the terms of this Agreement or any of the other Security Documents do not unambiguously mandate the action the Collateral Trustee is to take or not to take in connection therewith under the circumstances then existing, or the Collateral Trustee is in doubt as to what action it is required to take or not to take hereunder or under the other Security Documents, it will be entitled to refrain from taking any action (and will incur no liability for doing so) until directed otherwise in writing by a request signed jointly by the parties hereto entitled to give such direction or by order of a court of competent jurisdiction.

SECTION 5.12 Limitations on Duty of Collateral Trustee in Respect of Collateral.

(a) Beyond the exercise of reasonable care in the custody of Collateral in its possession, the Collateral Trustee will have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Collateral Trustee will not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Liens on the Collateral; *provided, however*, that, notwithstanding the foregoing, the Collateral Trustee will execute, file or record, or cause the Issuer to execute, file or record, UCC-3 continuation statements and other documents and instruments to preserve, protect or perfect the security interests granted to the Collateral Trustee (subject to the priorities set forth herein) if it shall receive a specific written request to execute, file or record the particular continuation statement or other specific document or instrument by any Authorized Representative. The Collateral Trustee shall deliver to each other Authorized Representative a copy of any such written request. The Collateral Trustee will be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property, and the Collateral Trustee will not be liable or responsible for any loss or diminution in the value of any of the Collateral by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Collateral Trustee in good faith.

(b) Except as provided in Section 5.12(a), the Collateral Trustee will not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes negligence, bad faith or willful misconduct on the part of the Collateral Trustee, for the validity or sufficiency of the Collateral or any agreement or assignment contained therein, for the validity of the title of any Grantor to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral. The Collateral Trustee hereby disclaims any representation or warranty to the current and future holders of the Pari Passu Obligations concerning the perfection of the security interests granted to it or in the value of any Collateral.

SECTION 5.13 Assumption of Rights, Not Assumption of Duties.

Notwithstanding anything to the contrary contained herein:

(1) each of the parties thereto will remain liable under each of the Security Documents (other than this Agreement) to the extent set forth therein to perform all of their respective duties and obligations thereunder to the same extent as if this Agreement had not been executed;

(2) the exercise by the Collateral Trustee of any of its rights, remedies or powers hereunder will not release such parties from any of their respective duties or obligations under the other Security Documents; and

(3) the Collateral Trustee will not be obligated to perform any of the obligations or duties of any of the parties to the Security Documents other than the Collateral Trustee.

SECTION 5.14 No Liability for Clean Up of Hazardous Materials. In the event that the Collateral Trustee is required to acquire title to an asset for any reason, or take any managerial action of any kind in regard thereto, in order to carry out any fiduciary or trust obligation for the benefit of another, which in the Collateral Trustee's sole discretion may cause the Collateral Trustee to be considered an "owner or operator" under any environmental laws or otherwise cause the Collateral Trustee to incur, or be exposed to, any environmental liability or any liability under any other federal, state or local law, the Collateral Trustee reserves the right, either (i) prior to taking such action, to perform sufficient due diligence (which may include Phase I and Phase II environmental site assessments) or (ii) instead of taking such action, either to resign as Collateral Trustee or to arrange for the transfer of the title or control of the asset to a court appointed receiver. The Collateral Trustee will not be liable to any Person for any environmental liability or any environmental claims or contribution actions under any federal, state or local law, rule or regulation by reason of the Collateral Trustee's actions and conduct as authorized, empowered and directed hereunder or relating to any kind of discharge or release or threatened discharge or release of any hazardous materials into the environment.

ARTICLE 6. RESIGNATION AND REMOVAL OF THE COLLATERAL TRUSTEE

SECTION 6.1 Resignation or Removal of Collateral Trustee. Subject to the appointment of a successor Collateral Trustee as provided in Section 6.2 and the acceptance of such appointment by the successor Collateral Trustee:

(a) the Collateral Trustee may resign at any time by giving not less than 30 days' notice of resignation to each Authorized Representative and the Issuer; and

(b) the Collateral Trustee may be removed at any time, with or without cause, by an Act of Required Secured Parties.

SECTION 6.2 Appointment of Successor Collateral Trustee. Upon any such resignation or removal, a successor Collateral Trustee may be appointed by an Act of Required Secured Parties. If no successor Collateral Trustee has been so appointed and accepted such appointment within 30 days after the predecessor Collateral Trustee gave notice of resignation or was removed, the retiring Collateral Trustee may (at the expense of the Issuer), at its option, appoint a successor Collateral Trustee, or petition a court of competent jurisdiction for appointment of a successor Collateral Trustee, which must be a bank or trust company:

- (1) authorized to exercise corporate trust powers;
- (2) having a combined capital and surplus of at least \$500,000,000;
- (3) maintaining an office in New York, New York; and
- (4) that is not the Issuer or an Affiliate of the Issuer.

The Collateral Trustee will fulfill its obligations hereunder until a successor Collateral Trustee meeting the requirements of this Section 6.2 has accepted its appointment as Collateral Trustee and the provisions of Section 6.3 have been satisfied.

SECTION 6.3 Succession. When the Person so appointed as successor Collateral Trustee accepts such appointment:

(1) such Person will succeed to and become vested with all the rights, powers, privileges and duties of the predecessor Collateral Trustee, and the predecessor Collateral Trustee will be discharged from its duties and obligations hereunder; and

(2) the predecessor Collateral Trustee will (at the expense of the Issuer) promptly transfer all Liens and collateral security and other property of the Trust Estates within its possession or control to the possession or control of the successor Collateral Trustee and will execute instruments and assignments as may be necessary or desirable or reasonably requested by the successor Collateral Trustee to transfer to

the successor Collateral Trustee all Liens, interests, rights, powers and remedies of the predecessor Collateral Trustee in respect of the Security Documents or the Trust Estates.

Thereafter the predecessor Collateral Trustee will remain entitled to enforce the immunities granted to it in Article 5 and the provisions of Sections 7.10 and 7.11.

SECTION 6.4 Merger, Conversion or Consolidation of Collateral Trustee. Any Person into which the Collateral Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Collateral Trustee shall be a party, or any Person succeeding to the business of the Collateral Trustee shall be the successor of the Collateral Trustee pursuant to Section 6.3; *provided*, that (i) without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding, such Person satisfies the eligibility requirements specified in clauses (1) through (4) of Section 6.2 and (ii) prior to any such merger, conversion or consolidation, the Collateral Trustee shall have notified the Issuer and each Authorized Representative thereof in writing.

ARTICLE 7. MISCELLANEOUS PROVISIONS

SECTION 7.1 Amendment.

(a) No amendment or supplement to the provisions of this Agreement will be effective without the approval of the Collateral Trustee acting as directed by an Act of Required Secured Parties, except that:

(1) any amendment or supplement that has the effect solely of:

(A) adding or maintaining Collateral, securing additional Pari Passu Obligations that are otherwise not prohibited by the terms of any Security Document to be secured by the Collateral or preserving, perfecting or establishing the Liens thereon or the rights of the Collateral Trustee therein; or

(B) providing for the assumption of any Grantor's obligations under any Pari Passu Document in the case of a merger or consolidation or sale of all or substantially all of the assets of such Grantor to the extent not prohibited by the terms of the Indenture, a First-Out Document or any Security Document, as applicable;

will become effective when executed and delivered by the Issuer or any other applicable Grantor party thereto and the Collateral Trustee;

(2) no amendment or supplement that reduces, impairs or adversely affects the right of any Secured Party:

(A) to vote its outstanding Pari Passu Debt as to any matter described as subject to an Act of Required Secured Parties (or amends the provisions of this Section 7.1(a)(2) or the definitions of "*Act of Required Secured Parties*" or "*Controlling Representative*");

(B) to share in the order of application described in Section 3.4 in the proceeds of enforcement of or realization on any Collateral that has not been released in accordance with the provisions described in Section 4.1 or 4.4;

(C) to require that Liens securing Pari Passu Obligations be released only as set forth in the provisions described in Section 4.1 or 4.4; or

(D) under this Section 7.1,

will become effective without the consent of the requisite percentage or number of holders of each Series of Pari Passu Debt so affected under the applicable Security Documents; and

(3) no amendment or supplement that imposes any obligation upon the Collateral Trustee or any Authorized Representative or adversely affects the rights of the Collateral Trustee or any Authorized Representative, respectively, in its capacity as such will become effective without the consent of the Collateral Trustee or such Authorized Representative, respectively.

(b) The Collateral Trustee will not enter into any amendment or supplement unless it has received an Officer's Certificate to the effect that such amendment or supplement will not result in a breach of any provision or covenant contained in any of the Security Documents. Prior to executing any amendment or supplement pursuant to this Section 7.1, the Collateral Trustee will be entitled to receive an opinion of counsel of the Issuer to the effect that the execution of such document is authorized or permitted hereunder, and with respect to amendments adding Collateral, an opinion of counsel of the Issuer addressing customary creation and perfection, and if such additional Collateral consists of equity interests of any Person which equity interests constitute certificated securities, priority matters with respect to such additional Collateral (which opinion may be subject to customary assumptions and qualifications).

SECTION 7.2 Voting. In connection with any matter under this Agreement requiring a vote of holders of Pari Passu Debt, each Series of Pari Passu Debt will cast its votes in accordance with the Pari Passu Documents governing such Series of Pari Passu Debt. The amount of Pari Passu Debt to be voted by a Series of Pari Passu Debt will equal (1) the aggregate principal amount of Pari Passu Debt held by such Series of Pari Passu Debt (including outstanding letters of credit whether or not then available or drawn), *plus* (2) other than in connection with an exercise of remedies, the aggregate unfunded commitments (if any) to extend credit which, when funded, would constitute Indebtedness of such Series of Pari Passu Debt. Following and in accordance with the outcome of the applicable vote under its Security Documents, the Authorized Representative of each Series of Pari Passu Debt will cast all of its votes under that Series of Pari Passu Debt as a block in respect of any vote under this Agreement. Notwithstanding anything to the contrary in the foregoing, clause (i) of the second paragraph of the definition of "Act of Required Secured Parties" shall apply to this Section 7.2.

SECTION 7.3 Further Assurances; Insurance.

(a) The Issuer and each of the other Grantors will take such further actions with respect to the Collateral, and execute and/or deliver to the Collateral Trustee and file such additional mortgages, financing statements, amendments, assignments, agreements, supplements, powers and instruments, as may reasonably be required from time to time in order to:

(1) create, perfect, preserve and protect the security interest in the Collateral and the rights and interests of the Collateral Trustee under the Security Documents;

(2) carry into effect the purposes of the Security Documents or better to assure and confirm the validity, enforceability and priority of the Collateral Trustee's security interest in the Collateral;

(3) permit the Collateral Trustee to exercise and enforce its rights, powers and remedies hereunder with respect to any Collateral, including the filing of financing statements, continuation statements and other documents under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interest created in the Collateral and the execution and delivery of Control Agreements (as defined in the Pledge and Security Agreement (as in effect on the date hereof, or as amended, if the Authorized Representatives of each other Series of Pari Passu Debt have consented to any amendments thereof)); and

(4) perfect, continue and maintain the validity, enforceability and priority of the security interest in the Collateral as provided herein and to preserve the other rights and interests granted to the Collateral Trustee hereunder, as against third parties, with respect to the Collateral.

(b) Upon the request of the Collateral Trustee or any Authorized Representative at any time and from time to time, the Issuer and each of the other Grantors will promptly execute, acknowledge, deliver and/or file such security documents, instruments, certificates, notices and other documents, and take such other actions as may be reasonably required, or that the Collateral Trustee may reasonably request, to create, perfect, protect, assure or enforce the Liens and benefits intended to be conferred, in each case, as contemplated by the Security Documents for the benefit of the Secured Parties.

(c) The Issuer and the other Grantors will:

(1) keep their properties adequately insured at all times by financially sound and reputable insurers;

(2) maintain such other insurance, to such extent and against such risks (and with such deductibles, retentions and exclusions), including fire and other risks insured against by extended coverage and coverage for acts of terrorism, as is customary for companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by them;

(3) maintain such other insurance as may be required by law; and

(4) maintain such other insurance as may be required by the Security Documents.

(d) Upon the request of the Collateral Trustee, the Issuer and the other Grantors will furnish to the Collateral Trustee full information as to their property and liability insurance carriers.

(e) All insurance policies required by Section 7.3(c) (except for the insurance described in Section 7.3(c)(3)) above will:

(1) provide that, with respect to third party liability insurance, the Collateral Trustee shall be named as additional insured, with a waiver of subrogation;

(2) name the Collateral Trustee as a loss payee and additional insured;

(3) provide that (x) no cancellation or termination of such insurance and (y) no reduction in the limits of liability of such insurance or other material change shall be effective until 30 days after written notice is given by the insurers to the Collateral Trustee of such cancellation, termination, reduction or change;

(4) waive all claims for insurance premiums or commissions or additional premiums or assessments against the Secured Parties;
and

(5) waive any right of the insurers to setoff or counterclaim or to make any other deductions, whether by way of attachment or otherwise, as against the Secured Parties.

With respect to the foregoing clauses 3, 4, and 5, the Issuer and the other Grantors, as applicable, will use their commercially reasonable efforts to ensure that such insurance policies comply with this Section 7.3(e).

(f) Upon the request of the Collateral Trustee, the Issuer and the other Grantors will permit the Collateral Trustee or any of its agents or representatives, at reasonable times and intervals upon reasonable prior notice, to visit their offices and sites and inspect any of the Collateral and to discuss matters relating to the Collateral with their respective officers and independent public accountants. The Issuer and the other Grantors shall, at any reasonable time and from time to time upon reasonable prior notice, permit the Collateral Trustee or any of its agents or representatives to examine and make copies of and abstracts from the records and books of account of the Issuer and the other Grantors and their Subsidiaries, all at the Issuer's expense.

SECTION 7.4 Successors and Assigns.

(a) Except as provided in Section 5.2, the Collateral Trustee may not, in its capacity as such, delegate any of its duties or assign any of its rights hereunder, and any attempted delegation or assignment of any such duties or rights will be null and void. All obligations of the Collateral Trustee hereunder will inure to the sole and exclusive benefit of, and be enforceable by, each Authorized Representative and each present and future holder of Pari Passu Obligations.

(b) Neither the Issuer nor any other Grantor may delegate any of its duties or assign any of its rights hereunder, and any attempted delegation or assignment of any such duties or rights will be null and void. All obligations of the Issuer and the other Grantors hereunder will inure to the sole and exclusive benefit of, and be enforceable by, the Collateral Trustee, each Authorized Representative and each present and future holder of Pari Passu Obligations.

SECTION 7.5 Delay and Waiver. No failure to exercise, no course of dealing with respect to the exercise of, and no delay in exercising, any right, power or remedy arising under this Agreement or any of the other Security Documents will impair any such right, power or remedy or operate as a waiver thereof. No single or partial exercise of any such right, power or remedy will preclude any other or future exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

SECTION 7.6 Notices. Any communications, including notices and instructions, between the parties hereto or notices provided herein to be given may be given to the following addresses:

If to the Collateral Trustee: U.S. Bank National Association
Global Corporate Trust Services
Mailcode: EP MN WS3C
60 Livingston Avenue
St. Paul, MN 55107-2292
Facsimile No.: (651) 466-4730
Attention: Quinn DePompolo – Vice
President and Account Manager

with a copy to

Thompson Hine LLP
Attention: Irving Apar
300 Madison Ave., 27th Floor
New York, NY 10017

If to the Issuer or any other Grantor INNOVATE Corp.
Attention: Michael Sena
295 Madison Avenue, 12th Floor
New York, NY 10017

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP
Attention: Sean O’Neal
One Liberty Plaza
New York, NY 10006

If to the Trustee: U.S. Bank National Association
Global Corporate Trust Services
Mailcode: EP MN WS3C

60 Livingston Avenue
St. Paul, MN 55107-2292
Facsimile No.: (651) 466-4730
Attention: Quinn DePompolo – Vice
President and Account Manager

with a copy to

Thompson Hine LLP
Attention: Irving Apar
300 Madison Ave., 27th Floor
New York, NY 10017

and if to any other Authorized Representative, to such address as it may specify by written notice to the parties named above.

All notices and communications will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery, to the relevant address set forth above or, as to holders of Pari Passu Debt, its address shown on the register kept by the office or agency where the relevant Pari Passu Debt may be presented for registration of transfer or for exchange. To the extent applicable, any notice or communication will also be so mailed to any Person described in § 313(c) of the Trust Indenture Act of 1939, as amended, to the extent required thereunder. Failure to mail a notice or communication to a holder of Pari Passu Debt or any defect in it will not affect its sufficiency with respect to other holders of Pari Passu Debt.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

SECTION 7.7 Notice Following Discharge of Pari Passu Obligations. Promptly following the Discharge of First-Out Obligations, the Discharge of Specified Pari Passu Obligations or the Discharge of Excess First-Out Obligations, as the case may be, with respect to one or more Series of Pari Passu Debt, each Authorized Representative with respect to each applicable Series of Pari Passu Debt that is so discharged will provide written notice of such discharge to the Collateral Trustee and to each other Authorized Representative.

SECTION 7.8 Entire Agreement. This Agreement states the complete agreement of the parties relating to the undertaking of the Collateral Trustee set forth herein and supersedes all oral negotiations and prior writings in respect of such undertaking.

SECTION 7.9 Compensation; Expenses. The Grantors jointly and severally agree to pay, promptly upon demand:

- (1) such compensation to the Collateral Trustee and its agents as the Issuer and the Collateral Trustee may agree in writing from time to time;
- (2) all reasonable costs and expenses incurred by the Collateral Trustee and its agents in the preparation, execution, delivery, filing, recordation, administration or enforcement of this Agreement or any other Security Document or any consent, amendment, waiver or other modification relating hereto or thereto;
- (3) all reasonable fees, expenses and disbursements of legal counsel and any auditors, accountants, consultants or appraisers or other professional advisors and agents engaged by the Collateral Trustee or any Authorized Representative incurred in connection with the negotiation, preparation, closing, administration, performance or enforcement of this Agreement and the other Security Documents or any

consent, amendment, waiver or other modification relating hereto or thereto and any other document or matter requested by the Issuer or any other Grantor;

(4) all reasonable costs and expenses incurred by the Collateral Trustee and its agents in creating, perfecting, preserving, releasing or enforcing the Collateral Trustee's Liens on the Collateral, including filing and recording fees, expenses and taxes, stamp or documentary taxes, search fees, and title insurance premiums;

(5) all other reasonable costs and expenses incurred by the Collateral Trustee and its agents in connection with the negotiation, preparation and execution of the Security Documents and any consents, amendments, waivers or other modifications thereto and the transactions contemplated thereby or the exercise of rights or performance of obligations by the Collateral Trustee thereunder; and

(6) after the occurrence of any Pari Passu Debt Default, all costs and expenses incurred by the Collateral Trustee, its agents and any Authorized Representative in connection with the preservation, collection, foreclosure or enforcement of the Collateral subject to the Security Documents or any interest, right, power or remedy of the Collateral Trustee or in connection with the collection or enforcement of any of the Pari Passu Obligations or the proof, protection, administration or resolution of any claim based upon the Pari Passu Obligations in any Insolvency or Liquidation Proceeding, including all fees and disbursements of attorneys, accountants, auditors, consultants, appraisers and other professionals engaged by the Collateral Trustee, its agents or the Authorized Representatives.

The agreements in this Section 7.9 will survive repayment of all other Pari Passu Obligations, the termination or assignment of this Agreement, the invalidity or unenforceability of any terms or provisions of this Agreement and the removal or resignation of the Collateral Trustee.

SECTION 7.10 Indemnity.

(a) The Grantors jointly and severally agree to defend, indemnify, pay and hold harmless the Collateral Trustee, each Authorized Representative, each Secured Party and each of their respective Affiliates and each and all of the directors, officers, partners, trustees, employees, attorneys and agents, and (in each case) their respective heirs, representatives, successors and assigns (each of the foregoing, an "**Indemnitee**") from and against any and all Indemnified Liabilities; *provided*, no Indemnitee will be entitled to indemnification hereunder with respect to any Indemnified Liability to the extent such Indemnified Liability is found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(b) All amounts due under this Section 7.10 will be payable upon demand.

(c) To the extent that the undertakings to defend, indemnify, pay and hold harmless set forth in Section 7.10(a) may be unenforceable in whole or in part because they violate any law or public policy, each of the Grantors will contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by Indemnitees or any of them.

(d) No Grantor will ever assert any claim against any Indemnitee, on any theory of liability, for any lost profits or special, indirect or consequential damages or (to the fullest extent a claim for punitive damages may lawfully be waived) any punitive damages arising out of, in connection with, or as a result of, this Agreement or any other Security Document or any agreement or instrument or transaction contemplated hereby or relating in any respect to any Indemnified Liability, and each of the Grantors hereby forever waives, releases and agrees not to sue upon any claim for any such lost profits or special, indirect, consequential or (to the fullest extent lawful) punitive damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(e) The agreements in this Section 7.10 will survive repayment of all other Pari Passu Obligations, the termination or assignment of this Agreement, the invalidity or unenforceability of any terms or provisions of this Agreement and the removal or resignation of the Collateral Trustee.

SECTION 7.11 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.12 Section Headings. The section headings and Table of Contents used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

SECTION 7.13 Obligations Secured. All obligations of the Grantors set forth in or arising under this Agreement will be Pari Passu Obligations and are secured by all Liens granted by the Security Documents.

SECTION 7.14 Governing Law. **THIS AGREEMENT AND ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT (WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW RULES THAT WOULD RESULT IN THE APPLICATION OF A DIFFERENT GOVERNING LAW (OTHER THAN ANY MANDATORY PROVISIONS OF THE UCC RELATING TO THE LAW GOVERNING PERFECTION AND THE EFFECT OF PERFECTION OR PRIORITY OF THE SECURITY INTERESTS).**

SECTION 7.15 Consent to Jurisdiction. All judicial proceedings brought against any party hereto arising out of or relating to this Agreement may be brought in any state or federal court of competent jurisdiction in the State, County and City of New York. By executing and delivering this Agreement, each Grantor, for itself and in connection with its properties, irrevocably:

- (1) accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts;
- (2) waives any defense of forum non conveniens;
- (3) agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such party at its address provided in accordance with Section 7.8;
- (4) agrees that service as provided in clause (3) above is sufficient to confer personal jurisdiction over such party in any such proceeding in any such court and otherwise constitutes effective and binding service in every respect; and
- (5) agrees that each party hereto retains the right to serve process in any other manner permitted by law or to bring proceedings against any party in the courts of any other jurisdiction.

SECTION 7.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER SECURITY DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT, BREACH OF DUTY, COMMON LAW, STATUTE OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER

INTO THIS AGREEMENT AND THE OTHER SECURITY DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

SECTION 7.17 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic imaging means), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g. "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart hereof.

SECTION 7.18 Grantors and Additional Grantors. The Issuer represents and warrants that each Person who is a Grantor on the date hereof has duly executed this Agreement. The Issuer will cause each Person that hereafter becomes a Grantor or is required by any Security Document to become a party to this Agreement to become a party to this Agreement, for all purposes of this Agreement, within 30 Business Days of the date on which it was acquired or created, by causing such Person to execute and deliver to the Collateral Trustee a Collateral Trust Joinder, whereupon such Person will be bound by the terms hereof to the same extent as if it had executed and delivered this Agreement as of the date hereof. The Issuer shall promptly provide each Authorized Representative with a copy of each Collateral Trust Joinder executed and delivered pursuant to this Section 7.18; *provided*, however, that the failure to so deliver a copy of the Collateral Trust Joinder to any then existing Authorized Representative shall not affect the inclusion of such Person as a Grantor if the other requirements of this Section 7.18 are complied with.

SECTION 7.19 Continuing Nature of this Agreement. This Agreement will be reinstated if at any time any payment or distribution in respect of any of the Pari Passu Obligations is rescinded or must otherwise be returned in an Insolvency or Liquidation Proceeding or otherwise by any Pari Passu Secured Party or Authorized Representative or any representative of any such party (whether by demand, settlement, litigation or otherwise). In the event that all or any part of a payment or distribution made with respect to the Pari Passu Obligations from the proceeds of any Collateral or any title insurance policy required by any real property mortgage at any time after the date of the payment or distribution that is so recovered, whether pursuant to a right of subrogation or otherwise, that Authorized Representative or that Pari Passu Secured Party, as the case may be, will forthwith deliver the same to the Collateral Trustee, for the account of the Secured Parties to be applied in accordance with Section 3.4.

SECTION 7.20 Insolvency.

(a) This Agreement will be applicable both before and after the commencement of any Insolvency or Liquidation Proceeding by or against any Grantor. The relative rights, as provided for in this Agreement, will continue after the commencement of any such Insolvency or Liquidation Proceeding on the same basis as prior to the date of the commencement of any such case, as provided in this Agreement.

(b) The Collateral Trustee (on behalf of the First-Out Secured Parties) and each First-Out Authorized Representative, for itself and on behalf of the First-Out Secured Parties, and the Collateral Trustee and the Last-Out Authorized Representatives (each on behalf of the Last-Out Secured Parties) agrees that because of, among other things, their differing rights to payment of the proceeds of the Collateral, the First-Out Obligations are fundamentally different from the Last-Out Obligations, are not substantially similar to the Last-Out Obligations within the meaning of Bankruptcy Code Section 1122(a), and must be separately classified from the Last-Out Obligations in any plan of reorganization proposed, confirmed or adopted in an Insolvency or Liquidation Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that the claims of the First-Out Secured Parties and the Last-Out Secured Parties in respect of the Collateral constitute only one secured claim or are properly classified in one class (rather than separate claims or classes of secured claims), then each of the Last-Out Secured Parties hereby acknowledges and agrees that all distributions shall be made in accordance with Section 3.4 of this Agreement and the First-Out Secured Parties shall be entitled to receive, in addition to amounts distributed to them from, or in respect of, the Collateral in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, fees, costs, expenses,

premiums, and other charges, irrespective of whether a claim for such amounts is allowed or allowable in such Insolvency or Liquidation Proceeding, before any distribution from, or in respect of, any Collateral is made in respect of the claims held by the Last-Out Secured Parties, with the Collateral Trustee and their applicable Last-Out Authorized Representative (each on behalf of the Last-Out Secured Parties) and the Last-Out Secured Parties acknowledging and agreeing to turn over to the First-Out Secured Parties amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this section and this Agreement, even if such turnover has the effect of reducing the claim or recovery of the Last-Out Secured Parties.

(c) None of any Last-Out Authorized Representatives or any other Last-Out Secured Party (whether in the capacity of a secured creditor or an unsecured creditor) shall propose, vote in favor of, or otherwise directly or indirectly support any plan of reorganization that is inconsistent with the priorities or other provisions of this Agreement (including but not limited to Sections 7.20 and 3.4), other than (i) if such a plan classifies the claims held by the Last-Out Secured Parties with the claims held by the First-Out Secured Parties and such plan provides for treatment that, taking into account the turnover obligations under Section 7.20(b), would provide for the Discharge of First-Out Obligations on the effective date of such plan (or as soon thereafter as is reasonably practicable under the circumstances), or (ii) with the prior written consent of the First-Out Authorized Representatives. Furthermore, none of any Last-Out Authorized Representative or any other Last-Out Secured Party (whether in the capacity of a secured creditor or an unsecured creditor) shall object to or contest (or support any other party in objection or contesting) a plan of reorganization or other dispositive restructuring plan on the grounds that the First-Out Obligations and Last-Out Obligations are classified separately.

(d) Each Last-Out Authorized Representative, for itself and on behalf of each other Last-Out Secured Party, agrees that (A) no Last-Out Authorized Representative nor any other Last-Out Secured Party will object to, oppose or contest (or join with or support any third party objecting to, opposing or contesting) (i) any request by any First-Out Authorized Representative or any other First-Out Secured Party for adequate protection, including for payment of post-petition interest, or (ii) any objection by any First-Out Authorized Representative or any other First-Out Secured Party to any motion, relief, action or proceeding based on the First-Out Authorized Representative or First-Out Secured Parties claiming a lack of adequate protection; and (B) the Last-Out Secured Parties will seek relief granting adequate protection, in the case of liens or claims granted as adequate protection only to the extent such protection is subordinate to, and subordinate to matching adequate protection in favor of, the claims of the First-Out Secured Parties.

(e) Each Last-Out Authorized Representative, for itself and on behalf of each other Last-Out Secured Party, agrees that neither such Last-Out Authorized Representative nor any other Last-Out Secured Party shall oppose or seek to challenge any claim by any First-Out Authorized Representative or any other First-Out Secured Party for allowance or payment in any Insolvency or Liquidation Proceeding of First-Out Obligations consisting of post-petition interest or cash collateralization of all letters of credit to the extent of the value of the Liens securing the First-Out Obligations (it being understood that such value will be determined without regard to the existence of the Last-Out Obligations).

SECTION 7.21 Rights and Immunities of Authorized Representatives. The Collateral Trustee will be entitled to all of the rights, protections, immunities and indemnities set forth in the Indenture and any future Authorized Representative will be entitled to all of the rights, protections, immunities and indemnities set forth in the credit agreement, indenture or other agreement governing the applicable Pari Passu Debt with respect to which such Person will act as representative, in each case as if specifically set forth herein. In no event will any Authorized Representative be liable for any act or omission on the part of the Grantors or the Collateral Trustee hereunder.

SECTION 7.22 Purchase Right. The First-Out Secured Parties agree that following the first to occur of (a) the acceleration of the First-Out Obligations, (b) a payment default under any First-Out Document that has not been cured or waived by the applicable First-Out Secured Parties within 60 days of the occurrence thereof or (c) the commencement of an Insolvency or Liquidation Proceeding with respect to the Issuer or any other Grantor (each, a "**Purchase Event**"), within thirty (30) days of the Purchase Event, one or more of the Specified Pari Passu Secured Parties (the "**Purchasers**") may request by written notice to each First-Out Authorized Representative, and the First-Out Secured Parties hereby offer such Purchasers the option, to purchase all, but not less than all, of the aggregate amount of outstanding First-Out Obligations (including unfunded commitments under

any First-Out Document) outstanding at the time of purchase at par, plus (i) any premium that would be applicable upon prepayment of the First-Out Obligations and accrued and unpaid interest, all interest accrued thereon after the commencement of any Insolvency or Liquidation Proceeding, at the applicable post-default rate and fees (including breakage costs), (ii) if applicable, the cash collateral to be furnished to the First-Out Secured Parties providing letters of credit under the First-Out Documents in such amounts (not to exceed 105% thereof) as such First-Out Secured Party determines is reasonably necessary to secure such First-Out Secured Party in connection with any such outstanding and undrawn letters of credit and (iii) in the case of any First-Out Cash Management Obligations, the amount that would be payable to First-Out Secured Parties, including all amounts payable as a result of the termination (or early termination) thereof, in any event, without warranty or representation or recourse (except for representations and warranties required to be made by assigning lenders pursuant to customary assignment documentation). Promptly following the receipt of such notice, each First-Out Authorized Representative will deliver to the Purchasers a statement of the amount of the First-Out Obligations provided by the First-Out Secured Parties represented by each such First-Out Authorized Representative, if any, then outstanding and the amount of the cash collateral requested by any such First-Out Authorized Representative to be delivered pursuant to the applicable First-Out Documents. If such right is exercised, the First-Out Secured Parties and the Purchasers shall endeavor to close promptly thereafter but in any event within ten (10) Business Days of the request. If one or more of the Specified Pari Passu Secured Parties exercise such purchase right, any such purchase shall be allocated pro-rata among the Purchasers and such purchase shall be exercised pursuant to documentation mutually acceptable to each of the First-Out Authorized Representatives and the Purchasers. If none of the Specified Pari Passu Secured Parties timely exercises such right the First-Out Secured Parties shall have no further obligations pursuant to this [Section 7.22](#) for such Purchase Event and may take any further actions in their sole discretion in accordance with the First-Out Documents and this Agreement. Each First-Out Secured Party will retain all rights to indemnification provided in the relevant First-Out Document for all claims and other amounts relating to the period prior to the purchase of the First-Out Obligations pursuant to this [Section 7.22](#).

SECTION 7.23 [Conflict with Intercreditor Agreement](#). For the avoidance of doubt, in the event of any conflict between the terms of this Agreement and the terms of the Intercreditor Agreement, the terms of this Agreement shall control.

MSD PCOF PARTNERS IX, LLC, as
the First-Out Lender under the First-Out Credit Agreement and a
First-Out Authorized Representative

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

[Signature Page to Collateral Trust Agreement]

**[FORM OF]
ADDITIONAL PARI PASSU DEBT DESIGNATION**

Reference is made to the Collateral Trust Agreement dated as of August 4, 2025 (as amended, restated, amended and restated, supplemented or otherwise modified, the “*Collateral Trust Agreement*”), among INNOVATE CORP., a Delaware corporation, (the “*Issuer*”), the Grantors from time to time party thereto, U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee under the Indenture, MSD PCOF PARTNERS IX, LLC, as the First-Out Lender under the First-Out Credit Agreement and a First-Out Authorized Representative, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Trustee. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Trust Agreement. This Additional Pari Passu Debt Designation is being executed and delivered in order to designate additional Pari Passu Debt as Pari Passu Debt entitled to the benefit of the Collateral Trust Agreement.

The undersigned, the duly appointed [*specify title*] of the [Issuer] hereby certifies on behalf of the [Issuer] that:

(A) [*insert name of the Issuer or other Grantor*] intends to incur additional Pari Passu Debt (“*Additional Pari Passu Obligations*”) permitted by each applicable Pari Passu Document to be secured by a Pari Passu Lien equally and ratably with all previously existing and future Pari Passu Debt;

(B) [such Pari Passu Debt constitutes First-Out Debt;]

(C) the name and address of the Authorized Representative for the Additional Pari Passu Obligations for purposes of Section 7.8 of the Collateral Trust Agreement is:

Telephone:

Fax:

(D) Each of the Issuer and each other Grantor has duly authorized, executed (if applicable) and recorded (or caused to be recorded) in each appropriate governmental office all relevant filings and recordations to ensure that the Additional Pari Passu Obligations are secured by the Collateral in accordance with the Security Documents;

(E) Attached as Exhibit 1 hereto is a Reaffirmation Agreement duly executed by the Issuer and each other Grantor, and

(F) the Issuer has caused a copy of this Additional Pari Passu Debt Designation and the related Collateral Trust Joinder to be delivered to each existing Authorized Representative.

IN WITNESS WHEREOF, the Issuer has caused this Pari Passu Debt Designation to be duly executed by the undersigned officer as of ____, 20____.

[insert name of Issuer]

By:

Name:

Title: _____

ACKNOWLEDGEMENT OF RECEIPT

The undersigned, the duly appointed Collateral Trustee under the Collateral Trust Agreement, hereby acknowledges receipt of an executed copy of this Additional Pari Passu Debt Designation.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION,
as Collateral Trustee

By:

Name:

Title: _____

[FORM OF] REAFFIRMATION AGREEMENT

Reference is made to the Collateral Trust Agreement dated as of August 4, 2025 (as amended, restated, amended and restated, supplemented or otherwise modified, the “*Collateral Trust Agreement*”), among INNOVATE CORP., a Delaware corporation, (the “*Issuer*”), the Grantors from time to time party thereto, U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee under the Indenture, MSD PCOF PARTNERS IX, LLC, as the First-Out Lender under the First-Out Credit Agreement and a First-Out Authorized Representative, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Trustee. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Trust Agreement. This Reaffirmation Agreement is being executed and delivered as of [_____] [•], 20[•] in connection with an Additional Pari Passu Debt Designation of even date herewith which Additional Pari Passu Debt Designation has designated such additional Pari Passu Debt as Pari Passu Debt entitled to the benefit of the Collateral Trust Agreement.

Each of the undersigned hereby consents to the designation of additional Pari Passu Debt as Pari Passu Debt as set forth in the Additional Pari Passu Debt Designation of even date herewith and hereby confirms its respective guarantees, pledges, grants of security interests and other obligations, as applicable, under and subject to the terms of each of the Pari Passu Documents to which it is party, and agrees that, notwithstanding the designation of such additional indebtedness or any of the transactions contemplated thereby, such guarantees, pledges, grants of security interests and other obligations, and the terms of each Pari Passu Document to which it is a party, are not impaired or adversely affected in any manner whatsoever and shall continue to be in full force and effect and such additional Pari Passu Debt shall be entitled to all of the benefits of such Pari Passu Documents.

Governing Law and Miscellaneous Provisions. The provisions of Article 7 of the Collateral Trust Agreement will apply with like effect to this Reaffirmation Agreement.

IN WITNESS WHEREOF, each of the undersigned has caused this Reaffirmation Agreement to be duly executed as of the date written above.

[names of Grantors and Grantors]

By:

Name:

Title: _____

[FORM OF]
COLLATERAL TRUST JOINDER - ADDITIONAL PARI PASSU OBLIGATIONS

Reference is made to the Collateral Trust Agreement dated as of August 4, 2025 (as amended, restated, amended and restated, supplemented or otherwise modified, the “*Collateral Trust Agreement*”), among INNOVATE CORP., a Delaware corporation, (the “*Issuer*”), the Grantors from time to time party thereto, U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee under the Indenture, MSD PCOF PARTNERS IX, LLC, as the First-Out Lender under the First-Out Credit Agreement and a First-Out Authorized Representative, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Trustee. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Trust Agreement. This Collateral Trust Joinder is being executed and delivered pursuant to Section 3.8 of the Collateral Trust Agreement as a condition precedent to the debt for which the undersigned is acting as agent being entitled to the benefits of being additional Pari Passu Debt under the Collateral Trust Agreement.

1. Joinder. The undersigned, [_____], a [_____], (the “*New Representative*”) as [trustee, administrative agent] under that certain [*described applicable indenture, credit agreement or other document governing the additional Pari Passu Debt*] hereby agrees to become party as an Authorized Representative under the Collateral Trust Agreement for all purposes thereof on the terms set forth therein, and to be bound by the terms of the Collateral Trust Agreement as fully as if the undersigned had executed and delivered the Collateral Trust Agreement as of the date thereof. [Such Authorized Representative shall be a First-Out Authorized Representative thereunder].

2. Lien Sharing and Priority Confirmation.

The undersigned New Representative, on behalf of itself and each holder of Obligations in respect of the Series of Pari Passu Debt for which the undersigned is acting as Authorized Representative hereby agrees, for the enforceable benefit of all holders of each existing and future Series of Pari Passu Debt, each other existing and future Authorized Representative and each current and future Pari Passu Secured Party and as a condition to being treated as Pari Passu Debt under the Collateral Trust Agreement that:

(a) as provided by Section 2.2 of the Collateral Trust Agreement, all Pari Passu Obligations will be and are secured equally and ratably by all Pari Passu Liens at any time granted by the Issuer or any other Grantor to secure any Obligations in respect of any Series of Pari Passu Debt, whether or not upon property otherwise constituting collateral for such Series of Pari Passu Debt, and that all such Pari Passu Liens will be enforceable by the Collateral Trustee for the benefit of all Secured Parties equally and ratably; *provided, however*, that notwithstanding the foregoing, this provision will not be violated with respect to any particular Collateral and any particular Series of Pari Passu Debt if the Security Documents in respect thereof prohibit the applicable Authorized Representative from accepting the benefit of a Lien on any particular asset or property or such Authorized Representative otherwise expressly declines in writing to accept the benefit of a Lien on such asset;

(b) the New Representative and each holder of Obligations in respect of the Series of Pari Passu Debt for which the undersigned is acting as Authorized Representative are bound by the provisions of this Agreement, including the provisions relating to the ranking of Pari Passu Liens and the order of application of proceeds from the enforcement of Pari Passu Liens; and

(c) the Collateral Trustee shall perform its obligations under the Collateral Trust Agreement and the other Security Documents.

3. Governing Law and Miscellaneous Provisions. The provisions of Article 7 of the Collateral Trust Agreement will apply with like effect to this Collateral Trust Joinder.

IN WITNESS WHEREOF, the parties hereto have caused this Collateral Trust Joinder to be executed by their respective officers or representatives as of __, 20__.

[insert name of the new representative]

By:

Name:

Title:

The Collateral Trustee hereby acknowledges receipt of this Collateral Trust Joinder and agrees to act as Collateral Trustee for the New Representative and the holders of the Obligations represented thereby:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as
Collateral Trustee

By:

Name:

Title:

[FORM OF]

COLLATERAL TRUST JOINDER - ADDITIONAL GRANTOR

Reference is made to the Collateral Trust Agreement dated as of August 4, 2025 (as amended, restated, amended and restated, supplemented or otherwise modified, the “*Collateral Trust Agreement*”), among INNOVATE CORP., a Delaware corporation, (the “*Issuer*”), the Grantors from time to time party thereto, U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee under the Indenture, MSD PCOF PARTNERS IX, LLC, as the First-Out Lender under the First-Out Credit Agreement and a First-Out Authorized Representative, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Collateral Trustee.. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Collateral Trust Agreement. This Collateral Trust Joinder is being executed and delivered pursuant to Section 7.21 of the Collateral Trust Agreement.

1. Joinder. The undersigned, ____, a ____, hereby agrees to become party as a Grantor under the Collateral Trust Agreement for all purposes thereof on the terms set forth therein, and to be bound by the terms of the Collateral Trust Agreement as fully as if the undersigned had executed and delivered the Collateral Trust Agreement as of the date thereof.

2. Governing Law and Miscellaneous Provisions. The provisions of Article 7 of the Collateral Trust Agreement will apply with like effect to this Collateral Trust Joinder.

IN WITNESS WHEREOF, the parties hereto have caused this Collateral Trust Joinder to be executed by their respective officers or representatives as of _____, 20____.

[]

By:

Name:

Title:

The Collateral Trustee hereby acknowledges receipt of this Collateral Trust Joinder and agrees to act as Collateral Trustee with respect to the Collateral pledged by the new Grantor:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as
Collateral Trustee

By:

Name:

Title:

SUBSIDIARIES OF THE REGISTRANT⁽¹⁾

Subsidiary	Jurisdiction of Organization
DBM Global Intermediate Holdco Inc.	Delaware
INNOVATE 2 Corp	Delaware
INNOVATE International Holding Corp.	Delaware

Subsidiaries of DBM Global Intermediate Holdco Inc., INNOVATE 2 Corp. and INNOVATE International Holding Corp., are listed below. All subsidiaries are wholly-owned by their respective parent, except where otherwise indicated.

SUBSIDIARIES OF DBM GLOBAL INTERMEDIATE HOLDCO INC.

Subsidiary	Jurisdiction of Organization
DBM Global Inc. (91.21%) ⁽²⁾	Delaware
CB-Horn Holdings, Inc.	Delaware
GrayWolf Industrial, Inc. ⁽³⁾	Delaware
GrayWolf Integrated Construction Company ⁽⁴⁾	Delaware
Titan Fabricators, Inc.	Kentucky
GrayWolf Integrated Construction Company-Southeast, Inc.	Georgia
GrayWolf Modular, Inc.	Delaware
M. Industrial Mechanical, Inc.	Delaware
Midwest Environmental, Inc. ⁽⁵⁾	Kentucky
Milco National Constructors, Inc. ⁽⁶⁾	Delaware
DBM Digital Pty Ltd.	Australia
DBM Global - North America Inc.	Delaware
Addison Structural Services, Inc.	Florida
Quincy Joist Company	Delaware
Aitken Manufacturing Inc.	Delaware
Banker Steel Construction, LLC (f/k/a Schuff Steel - Atlantic, LLC)	Florida
Connection AI Inc.	Delaware
DBM Vircon Services (USA), Inc. ⁽⁷⁾	Arizona
Innovative Structural Systems Inc.	Delaware
On-Time Steel Management Holding, Inc.	Delaware
Schuff Steel Management Company-Southwest, Inc.	Delaware
Schuff Steel Company ⁽⁸⁾	Delaware
Derr and Isbell Construction, LLC ⁽⁹⁾	Texas
Lynchburg Freight & Specialty LLC	Delaware
US Erectors LLC	Delaware
Innovative Engineering Solutions LLC ⁽¹⁰⁾	Delaware
Memco LLC ⁽¹¹⁾	Delaware
NYC Constructors, LLC	Delaware
NYCC Construction Services, LLC	Delaware
US Construction Services Inc.	Delaware
Innovative Detailing Services, Ltd.	Ontario, Canada
NYC Construction Services, Ltd.	Ontario, Canada

Subsidiary	Jurisdiction of Organization
Schuff Steel Company Panama, S. de R.L.	Panama
DBM Global Holdings Inc.	Delaware
DBM Vircon Services (Canada) LTD ⁽¹²⁾	British Columbia, Canada
DBM Vircon Services (India) Private Limited	India
DBM Vircon Services (UK) Ltd	United Kingdom
DBMG International PTE LTD	Singapore
DBMG Singapore PTE LTD	Singapore
DBM Vircon (Australia) Pty Ltd	Australia
DBM Vircon Services (Australia) Pty Ltd	Australia
BDS Steel Detailers (Australia) Pty Ltd	Australia
DBM Vircon Services (NZ) Ltd	New Zealand
PDC Operations (Australia) Pty Ltd	Australia
DBM Vircon Services (Philippines) Inc.	Philippines
Schuff Premier Services LLC	Delaware

SUBSIDIARIES OF INNOVATE 2 CORP.

Subsidiary	Jurisdiction of Organization
HC2 Broadcasting Holdings Inc.(98%)	Delaware
HC2 Broadcasting Intermediate Holdings Inc.	Delaware
HC2 Broadcasting Inc.	Delaware
DTV America Corporation (69.22%) ⁽¹³⁾	Delaware
HC2 Network Inc.	Delaware
HC2 Station Group, Inc.	Delaware
Pansend Life Sciences, LLC	Delaware
Genovel Orthopedics, Inc. (80%)	Delaware
R2 Technologies, Inc. (81%) ⁽¹⁴⁾	Delaware

SUBSIDIARIES OF INNOVATE INTERNATIONAL HOLDING CORP.

Subsidiary	Jurisdiction of Organization
ICS Group Holdings Inc.	Delaware
PTGi International Carrier Services Ltd	United Kingdom

- (1) Registrant, INNOVATE Corp., also does business as INNOVATE Corp. of the Mideast (VA); INNOVATE Corp. of the Southeast (FL); INNOVATE Corp. of the West Coast (CA); and INNOVATE of the Northeast (NY).
- (2) Registrant holds a total of 91.21% as follows: 89.83% through DBM Global Intermediate Holdco Inc. and 1.38% through INNOVATE Corp.
- (3) Schuff Steel Company and Schuff Steel Management Company-Southwest, Inc., are minority shareholders of GrayWolf Industrial, Inc.
- (4) GrayWolf Integrated Construction Company also does business as GrayWolf Integrated Construction Company, Inc. (AL, AK, MN, MT and NY).
- (5) Midwest Environmental, Inc. also does business as Midwest Environmental Inc. (GA) and Midwest Environmental, Inc., A Graywolf Company (Midwest Environmental, Inc.) (OH).
- (6) Milco National Constructors, Inc. also does business as Milco National Constructors Corporation (NJ).
- (7) DBM Vircon Services (USA), Inc. also does business as BDS Vircon (WV).
- (8) Schuff Steel Company also does business as Schuff Steel Company, Inc. (AL) and Schuff Steel Company Inc. (NY).
- (9) Derr and Isbell Construction, LLC also does business as Derr & Isbell Construction, LLC (FL).

- (10) Innovative Engineering Solutions LLC also does business as Innovative Engineers, LLC (FL) and Innovative Steel Solutions, LLC (New York).
- (11) Memco LLC also does business as Memco Erectors LLC (CT and FL).
- (12) DBM Vircon Services (Canada) Ltd also does business as Candraft VSI (BC).
- (13) Registrant holds a total of 69.22%, as follows: 42.35% (representing 98% of 43.22% direct interests) through HC2 Broadcasting Inc., 5.28% (representing 98% of 5.38% direct interests) through HC2 Broadcasting Holdings, Inc. and 17.83% through INNOVATE 2 Corp. In addition, HC2 holds an additional 2.79% voting interest through proxies from minority shareholders, for a total controlling interest of 69.22%.
- (14) R2 Technologies, Inc. also does business as GlacialSkin by R2, Inc. (Alberta, Canada), Glacial Systems by R2, Inc. (BC), R2 Medical Technologies, Inc. (CA, OK, PA, TN, TX) and R2 Technologies, Inc. (De) (GA and LA).

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-274760, 333-217274, 333-213107, 333-207470, and 333-207266) and Form S-8 (Nos. 333-282899, 333-224657, 333-218835, and 333-198727) of INNOVATE Corp. (the Company) of our report dated March 26, 2026, relating to the consolidated financial statements which appears in this Annual Report on Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO USA, P.C.

New York, NY
March 26, 2026

CERTIFICATIONS

I, Paul K. Voigt, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 26, 2026

By: /s/ Paul K. Voigt

Name: Paul K. Voigt
Title: Interim President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Michael J. Sena, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 26, 2026

By: /s/ Michael J. Sena

Name:

Michael J. Sena

Title:

Chief Financial Officer

(Principal Financial and Accounting Officer)

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 Annual Report on Form 10-K for the year ended December 31, 2025, to which this Certification is attached as Exhibit 32 (the “Annual 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 Annual Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Annual Report and results of operations of the Company for the period covered by the Annual Report.

Dated: March 26, 2026

/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)