Risk Factors Comparison 2024-03-06 to 2023-03-14 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

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 • Our levels of indebtedness, financing arrangements and other obligations • Restrictive covenants in our debt and preferred stock instruments ~~• The COVID- 19 pandemic and its effects on our liquidity, business, financial condition and results of operations~~ • Ability to meet working capital requirements • Dependence on key personnel and ability to attract and retain skilled personnel • Any identified material weaknesses in our internal controls • Impact of inflationary pressures • Constraints in the labor market and increases in labor costs • Foreign exchange rate volatility • 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 ~~• Transportation challenges as a result of COVID- 19~~ • Impact of construction contract pricing terms, including fixed- price and cost- plus pricing • 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 • 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 • 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 • High levels of competition in the life sciences space • Reliance on third parties for sales, marketing, manufacturing and / or distribution • Limited current and historical operating revenue • 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 • Pansend' s limited manufacturing experience • Competition for skilled technical professional personnel • Obsolescence of Pansend' s products • Ability of Pansend to effectively protect its intellectual property and the impact of a failure to do so • Patient satisfaction with R2' s procedures • 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 FCC regulations, including with respect to broadcasting licenses, or Congressional legislation 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. ~~To the extent that the COVID- 19 pandemic adversely affects the Company' s business, financial condition, results of operations, cash flows and liquidity, it may also have the effect of heightening many of the other risks described in this " Risk Factors " section, such as those relating to the Company' s level of indebtedness, its ability to comply with the financial covenants contained in the agreements that govern the Company' s indebtedness and volatility of the Company' s common stock price.~~ 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 ~~revenue~~ **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, ~~2022~~ **2023** , the Company had $ 80. ~~4~~ **8** million of cash and cash equivalents, excluding restricted cash. On a stand- alone basis, as of December 31, ~~2022~~ **2023** , the Non-

Operating Corporate segment had cash and cash equivalents, excluding restricted cash, of $ ~~9~~ **2** . ~~1~~ **5** million. INNOVATE' s principal source of ~~revenue~~ **cash** and cash flow is distributions from its subsidiaries. Thus, its ability to service its debt, including the $ 330. 0 million in aggregate principal amount of 8. 5 % Senior Secured Notes due 2026 (the" Secured Notes"), $ 51. 8 million aggregate principal of 7. 50 % convertible senior notes due 2026 (the" 2026 Convertible Notes"), **$ 35. 1 million aggregate principal amount of 9. 0 % unsecured notes issued to the Continental General Insurance Company (" CGIC") due 2026 (the" CGIC Unsecured Note")** and $ 20. 0 million secured revolving credit agreement (the " Revolving Credit Agreement "), of which $ 20. 0 million was drawn as of December 31, ~~2022~~ **2023** , 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 ~~13~~ **11** . Debt Obligations to the Consolidated Financial Statements included in this Annual Report on Form 10- K, which is incorporated herein by reference. If our business does not generate sufficient cash flow 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, 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. The agreements governing our indebtedness and Certificates of Designation for our outstanding shares of preferred stock contain various covenants that limit our discretion in the operation of our business and / or require us to meet financial maintenance tests and other covenants. The failure to comply with such tests and covenants could have a material adverse effect on us. The agreements governing our indebtedness and the Certificates of Designation for our outstanding shares of preferred stock contain, and any of our other future financing agreements may contain, covenants imposing operating and financial restrictions on our businesses. The indentures governing our outstanding senior secured notes and convertible notes contain, and any future indentures may contain various covenants, including those that restrict our ability to, and, in certain cases, the ability of the Company' s subsidiaries, to, among other things, incur additional indebtedness; create liens; engage in sale- leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of its assets to, another person. These covenants are subject to a number of important exceptions and qualifications. The 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 requirements for DBMG, which may limit the amount of dividends DBMG may pay to its stockholders. In addition, the indenture governing our 2026 Senior Secured Notes dated February 1, 2021, by and among INNOVATE, the guarantors party thereto and U. S. Bank National Association, a national banking association, as trustee (the"

Secured Indenture") requires that we meet certain financial tests, including a collateral coverage ratio and minimum liquidity test. Our ability to satisfy these tests may be affected by factors and events beyond our control, and we may be unable to meet such tests in the future. Any failure to comply with the restrictions in the agreements governing our indentures, or any agreement governing other indebtedness we 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. If any of these risks were to occur, our business and operations could be materially and adversely affected. Refer to Footnote ~~13~~ **11** . Debt Obligations to our Consolidated Financial Statements included in the Annual Report on Form 10- K for additional information. The Certificates of Designation provide the holders of our 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. ~~Our business, operating results and financial condition may continue to be adversely impacted by COVID- 19. The COVID- 19 pandemic adversely affected the economies and financial markets of many countries. The Company' s business may continue to adversely affected by the pandemic' s global economic impact. This may include adverse effects stemming from any recession, economic downturn, government spending cuts, tightening of credit markets or increased unemployment that may occur in the future, which could cause our ultimate customers and potential customers to postpone or reduce spending on our products or put downward pressure on prices. From time to time during the pandemic, many governments implemented policies intended to stop or slow the spread of COVID- 19. Although no material restrictions are currently in place in the countries in which we operate, there could be additional restrictions enacted in the future in response to changes in the ongoing pandemic or potential future waves in the regions where we operate. COVID- 19 continues to cause labor shortages and supply chain disruptions, which may create significant delays in our ability to complete projects or deliver products, including in our Infrastructure and Life Sciences segments. Our receipt of materials from areas impacted by the pandemic was slowed or disrupted in 2022 and we expect our suppliers to continue to face similar challenges in fulfilling orders. In addition, reductions in the number of ocean carrier voyages, ocean freight capacity issues, congestion at major international gateways and other factors resulted in increased shipping costs and may continue to do so. In addition, in the United States, in 2022 trucking costs rose dramatically due to driver shortages and increased labor costs, as well as new federal and state safety, environmental and labor regulations, and these costs may continue to rise. These changes, as well as COVID- 19 related state and local restrictions on domestic trucking and the operation of distribution centers that may be implemented, may continue to disrupt our supply chains, which may result in delays in the completion of our projects and cause us to incur significant additional costs. Although we may attempt to pass on certain of these increased costs to our customers, we may not be able to pass all of these cost increases on to our customers. As a result, our margins may be adversely impacted by such cost increases. These supply chain disruptions and transportation challenges could have a material adverse effect on our results of operations or financial condition. Our Life Sciences segment may be adversely disrupted by the continuing effects of the COVID- 19 pandemic. For example, requirements to implement COVID- 19 operational measures at clinical trial sites may result in clinical studies in some locations being delayed. Such delays may slow progress towards regulatory clearances and approval of our products in the U. S. and globally. Our Spectrum segment has been and may continue to be impacted by the COVID- 19 pandemic in several ways. Our Spectrum segment is dependent on advertising revenue, and, earlier in the pandemic, numerous advertisers reduced or suspended their purchase of television advertising time, primarily due to the cessation of local consumer business activity mandated by state governors. If such mandates are implemented, advertisers may reduce or suspend their purchase of television advertising time, which would have a material adverse effect on our results of operations and financial condition. Individually and collectively, the consequences of the COVID- 19 pandemic may continue to adversely impact the Company' s business, financial condition, results of operations, cash flows and liquidity. To the extent that the COVID- 19 pandemic adversely affects the Company' s business, financial condition, results of operations, cash flows and liquidity, it may also have the effect of heightening many of the other risks described in this" Risk Factors" section, such as those related to the Company' s level of indebtedness, its ability to comply with the financial covenants contained in the agreements that govern the Company' s indebtedness and volatility of the Company' s common stock price.~~ 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, ~~2022~~ **2023** , our total outstanding indebtedness was $ ~~725~~ **722** . ~~3~~ **8** million and the accrued value of our outstanding preferred stock has a combined redemption value of $ 16. 1 million with a current fair value as of December 31, ~~2022~~ **2023** of $ ~~17~~ **16** . ~~6~~ **4** million. 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 Secured Notes are secured by substantially all of INNOVATE' s assets and those of certain of INNOVATE' s subsidiaries that have guaranteed the 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 flow 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. The terms of the Secured Indenture and our subsidiaries' other financing arrangements allow us to incur additional debt and issue additional shares of preferred stock, subject to certain limitations. If additional indebtedness is incurred or equity is issued, the risks described above could intensify. In addition, our inability to maintain certain leverage ratios could result in acceleration of 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 flow from operations to meet such requirements or service our indebtedness. We cannot assure you that we will recognize net income 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 $ 35. ~~9~~ **2** million in ~~2022~~ **2023** and net loss attributable to INNOVATE of $ ~~227~~ **35** . ~~5~~ **9** million in ~~2021~~ **2022** , and have incurred net losses in prior periods. We cannot assure you that our business will generate cash flow 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, **2023 and** 2022 ~~and 2021~~ , we recognized cash flows ~~used in~~ **provided by** continuing operating activities of $ ~~9~~ **26** . 5 million and **cash used in continuing operating activities of** $ ~~6~~ **9** . 5 million, respectively. **Loss of our key management** ~~We are dependent on Wayne Barr, Jr., our~~ - **or** ~~President and~~ **other personnel, including the recent unexpected passing of our** Chief Executive Officer, **President and Director, could adversely impact our business. We believe that the future success of INNOVATE and its operating subsidiaries is largely dependent and will depend to a significant extent upon the performance, skills, experience and efforts of our senior management** and certain other key personnel **. If** , ~~the loss or~~ **for** ~~distraction~~ **any reason, one or more senior executives or key personnel were not to remain active in our Company, our results** of ~~whom may~~ **operations could be** adversely ~~affect~~ **affected** ~~our financial condition or results of operations~~ . ~~We believe that~~ **On July 23, 2023, we announced** the **unexpected passing** ~~future success of INNOVATE and its operating subsidiaries depends and will depend to a significant extent upon the performance~~ of Wayne Barr, ~~Jr.,~~ our President ~~and~~ **,** Chief Executive Officer **and Director. Mr. Barr had** ~~(" CEO"), who has~~ served as a director of INNOVATE since January 2014 ~~,~~ **and** as ~~Lead Director during March 2020, as interim~~ CEO ~~from June 2020 to November 2020 and as President and CEO of INNOVATE~~ since November 2020 **. Following Mr. Barr' s death** , **on July 25, 2023, Paul K. Voigt was named Interim Chief Executive Officer of the Company. Mr. Voigt has served** as ~~well~~ **Senior Managing Director of Investments at Lancer Capital, LLC (" Lancer Capital") since 2019. From 2014 to 2018, Mr. Voigt served** as ~~the services~~ **Senior Managing Director** of **Investments of** ~~other~~ -- **the Company** ~~key personnel at INNOVATE~~ and **was involved with sourcing deals** ~~its operating subsidiaries, which may consist of a relatively small number of individuals that possess sales, marketing, engineering, financial, technical~~ and **capital raising for** ~~other~~ -- **the Company** ~~skills that are critical to the operation of our businesses~~ . 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, **2023 and** 2022 ~~and 2021~~ , 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 year- 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. Prolonged inflation could result in higher costs and decreased margins and earnings. A majority of our products are manufactured and sold inside of the United States, which increases our exposure to, among other things, domestic inflation and fuel price increases. Recent inflationary pressures have resulted 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 our costs remain subject to continuing significant inflationary pressures, we may not be 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 operation. 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 **since 2021** . 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 and in foreign currencies may adversely impact our results of operations and financial condition. 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 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 October 27, 2022, the Company was notified by 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 "). On January 3, 2023, the Company was notified by the NYSE that it had regained compliance with this listing standard. ~~However~~ **On February 26** , ~~if in~~ **2024,** the ~~future we~~ **Company was notified by the NYSE that the average closing price of the Company' s common stock had** ~~fall~~ **fallen** below ~~this standard and do not~~ **$ 1. 00 per share over a period of 30 consecutive trading days, which is the minimum average share price required by Section 802. 01C. Pursuant to Section 802. 01C, the Company has a period of six months following the receipt of the notice to** regain compliance ~~,~~ **with** ~~there~~ -- **the minimum share price requirement. The Company may regain compliance at any time during the six- month cure period if on the last trading day of any calendar month during the six- month cure period the Common Stock has a closing share price of at least $ 1. 00 and an average closing share price of at least $ 1. 00 over the 30 trading- day period ending on the last trading day of that month. If the Company** is ~~a risk that our common stock would be delisted from~~ **unable to regain compliance with the $ 1. 00 share price rule within this 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 **. As of the filing date of this Annual Report on Form 10- K, the Company has not regained compliance with Section 802. 01C** . 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 the 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 cyber 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. 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. Despite our implementation of industry- accepted security measures and technology, our information systems are vulnerable to and have been in the past subject to 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 cyber- security 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 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 cyber- security attacks and other intentional hacking, could subject us to legal 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, such as Section 163 (j) disallowed interest carryforwards, to reduce taxable income in future years may be limited 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, ~~2022~~ **2023** , ~~we~~ **the U. S. consolidated group** had approximately $ ~~226~~ **179** . ~~3~~ **2** million of federal **NOL** ~~net operating loss~~ carryforwards ~~(“ NOLs ”)~~ and $ ~~169~~ **211** . ~~2~~ **7** million of Code Section 163 (j) interest limitation carryforwards available to offset our future taxable income, which NOLs will begin 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. On August 30, 2021, the Company entered into a Tax Benefits Preservation Plan (the" **2021 Preservation** Plan"). The **2021 Preservation** Plan ~~is~~ **was** intended to help protect the Company' s ability to use its tax net operating losses and other certain tax assets (" Tax Benefits") by deterring an" ownership change," as defined under the Code, by a person or group of affiliated or associated persons from acquiring beneficial ownership of 4. 9 % or more of the outstanding common shares. ~~This~~ **The 2021 Preservation Plan terminated on March 31, 2023, and, on April 1, 2023, the Company entered into a new Tax Benefits Preservation Plan (the “ 2023 Preservation Plan ”). Refer to Note 16. Temporary Equity and Equity for additional information on both the expired 2021 Preservation Plan and 2023 Preservation Plan. The 2023 Preservation Plan** may adversely affect the marketability of our common stock by discouraging any individual, firm, corporation, partnership or other person or group of affiliated or associated persons from acquiring beneficial ownership of 4. 9 % or more shares of our common stock then outstanding. In addition, although the ~~Rights Agreement~~ **2023 Preservation Plan** is intended to reduce the likelihood of an ownership change that could adversely affect utilization of our NOLs, there is no assurance that the **2023 Preservation** Plan will prevent all transfers that could result in such an ownership change. 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 instance, in 2014, after substantial acquisitions of our common stock were reported by new beneficial owners, and we issued shares of our preferred stock, convertible into our common stock. We conducted a Section 382 review. The conclusions of this review indicated that an ownership change had occurred as of May 29, 2014. Additionally, 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 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 ~~enter into~~ from time to time ~~,~~ **or** may in the future 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 the armed conflict in Ukraine **and Israel** , 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 may have an impact on our business. 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. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our offices globally have historically experienced, and are projected to continue to experience, climate- related events at an increasing frequency, including drought, water scarcity, heat waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention. 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. 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, including new COVID- 19 variants, 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, 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 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 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. 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. When we decide to 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. 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. We also own ~~a~~ minority ~~interest~~ **interests** in a number of entities, such as MediBeacon, Triple Ring Technologies, Inc. and ~~HMN~~ **Scaled Cell Solutions, Inc.** , 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 is 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 acquisition, investment, holding and disposition of target companies and assets. We may incur significant taxes in connection with effecting acquisitions of, or investments in, holding, receiving payments from, operating or disposing of target companies and assets. Our decision to make a particular acquisition, sell a particular asset 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, 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 were a third party 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 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 ability to generate revenue and our competitive position may be harmed. If we 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 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 ~~(the" Certificate of Incorporation")~~, authorizes the issuance of up to 160, 000, 000 shares of common stock and 20, 000, 000 shares of preferred stock. As of December 31, ~~2022~~ **2023**, INNOVATE has 80, ~~216~~ **722**, ~~028~~ **983** issued and ~~78~~ **79**, ~~787~~ **234**, ~~768~~ **991** outstanding shares of its common stock, and 16, 125 shares of Series A- 3 and Series A- 4 preferred stock issued and outstanding. However, ~~the~~ **our** ~~Certificate~~ **certificate** of ~~Incorporation~~ **incorporation** authorizes our board of directors ~~(the" INNOVATE 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, 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 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, 2023, the holders of our 2026 Convertible Notes had rights to convert their notes into 12, 126, 046 shares of our common stock.** The conversion of some or all of **our** ~~INNOVATE' s~~ 2026 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 2026 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, ~~2022~~ **2023** , the holders of our outstanding preferred stock had certain rights to convert their Preferred Stock into 3, 616, 233 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 ~~(the" Registration Rights Agreement")~~ , 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~~ **registration** ~~Rights~~ **rights** ~~Agreement~~ **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 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, including coronavirus, 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; • prohibiting cumulative voting in the election of directors; • limiting the persons who may call special meetings of stockholders; • prohibiting stockholder actions by written consent; • creating a classified board of directors pursuant to which our directors are elected for staggered three- year terms; • permitting the board of directors to increase the size of the board and to fill vacancies; • requiring a super- majority vote of our stockholders to amend our bylaws and certain provisions of our certificate of incorporation; and • 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. We are subject to the provisions of Section 203 of the Delaware General Corporation Law which limit the right of a corporation to engage in a business combination with a holder of 15 percent or more of the corporation' s outstanding voting securities, or certain affiliated persons. 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~~ **board** of ~~Directors~~ **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. 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 . 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 ~~Transportation challenges as a result of the COVID- 19 pandemic and related supply impacts have caused, and may continue to cause, significant delays and additional costs, which could have a material adverse effect on DBMG' s results of operations or financial condition. COVID- 19 has caused supply chain challenges related to labor shortages and supply chain disruptions, which may create significant delays in DBMG' s ability to complete projects. The receipt of material from impacted areas has been slowed or disrupted and DBMG' s suppliers are expected to face similar challenges in fulfilling orders. In addition, reductions in the number of ocean carrier voyages, ocean freight capacity issues, congestion at major international gateways and other economic factors continue to persist worldwide due to COVID- 19 and worldwide supply impacts as there is much greater demand for shipping and reduced capacity and equipment, which has resulted in recent price increases per shipping container. In addition, in the United States, trucking costs have risen dramatically due to driver shortages and increased labor costs, as well as new federal and state safety, environmental and labor regulations. These changes, as well as COVID- 19 related state and local restrictions on domestic trucking and the operation of distribution centers, may disrupt DBMG' s supply chain, which may result in a delay in the completion of DBMG' s projects and cause it to incur significant additional costs. 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. These supply chain disruptions and transportation challenges could have a material adverse effect on DBMG' s results of operations 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, ~~2022~~ **2023** , DBMG' s backlog was $ 1, ~~782~~ **057** . ~~3~~ **2** million, consisting of $ 1, ~~536~~ **032. 9 million under contracts or purchase orders and $ 24** . 3 million under ~~contracts or purchase orders and $ 246. 0 million under~~ letters of intent or notices to proceed. Approximately $ ~~927~~ **487** . ~~2~~ **3** million, representing ~~52~~ **46** . ~~0~~ **1** % of DBMG' s backlog at December 31, ~~2022~~ **2023** , 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. 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. Persistent 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, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. For example, the recent armed ~~conflict~~ **conflicts** ~~between~~ **in** Ukraine and ~~Russia has~~ **Israel 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. 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; • 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. 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. 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. 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 ~~22~~ **14. 1** % 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 product and product candidates, which may change from time to time ; • the timing of receipt of approvals or clearances for Pansend' s product candidates from regulatory authorities in the U. S. or internationally ; • the timing and status of enrollment for Pansend' s clinical trials ; • coverage and reimbursement policies with respect to Pansend' s 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 ; • the cost of manufacturing Pansend' s 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 may incur to acquire, develop or commercialize additional product candidates and technologies ; • the level of demand for Pansend' s product and any product candidates, if approved or cleared, which may vary significantly over time ; • litigation, including patent, employment, securities class action, stockholder derivative, general commercial, and other lawsuits ; and • the timing and success or failure of nonclinical studies and clinical trials for Pansend' s product candidates or competing product candidates, or any other change in the competitive landscape of the life sciences industry, including consolidation among Pansend' s competitors or partners. 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, and these third parties may not perform satisfactorily. To be able to commercialize Pansend' s planned products, it may elect to internally develop aspects of sales, marketing, large- scale manufacturing, or distribution, or it 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. Pansend currently has limited product revenue and may never become profitable. To date, Pansend has generated limited revenue and has historically relied on financing from the sale of equity securities to fund its operations. We expect that Pansend' s future financial results will depend primarily on its success in launching, selling, and supporting its therapies and treatments, including R2' s 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, it is expected to continue to incur additional losses for the foreseeable future, and we cannot assure you that it will generate 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 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. Pansend' s failure to obtain or maintain necessary FDA 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 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 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 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. Pansend has limited experience in manufacturing its products in large- scale commercial quantities and may face manufacturing risks 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' s third- party contract manufacturer has a manufacturing facility located in Sunnyvale, California where they produce, package and warehouse the Glacial Rx system. R2 also relies on a global third- party manufacturer for production of some of the components used in the Glacial Rx System. If R2' s facility, or the facilities of its third- party contract manufacturers, suffer damage, or a force majeure event, this could materially impact R2' s 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 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 science 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 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 science 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. R2' s success depends upon patient satisfaction with its procedures. R2' s procedures are elective aesthetic procedures, the cost of which must be borne by the patient and is 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' s procedures is thus driven by patient demand, which may be influenced by a number of factors, such as: • the success of R2' s sales and marketing programs ; • the extent to which R2' s physician customers recommend its procedures to their patients ; • the extent to which R2' s procedures satisfy patient expectations ; • R2' s 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' s systems versus other aesthetic treatments ; • consumer sentiment about the benefits and risks of aesthetic procedures generally and R2' s systems in particular ; • the success of any direct- to- consumer marketing efforts R2 may initiate ; and • general consumer confidence, which may be impacted by economic and political conditions outside of R2' s control. R2' s financial performance will be negatively impacted in the event it cannot generate significant patient demand for procedures performed with its systems. 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. 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 manufacture, 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. Patients receiving CAR- T therapies may experiences severe adverse events, which may affect clinical development, regulatory approval, and public perception. 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.** Our broadcasting business ~~conducted by Broadcasting~~ 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 over- the- air 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; ~~and~~ (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 a fifth- generation mobile network (" 5G") and datacasting may lead to an unpredictable landscape for the broadcasting industry.** ~~cable~~ **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 ~~Federal Communications Commission ("~~ 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 ~~Low Power Television ("~~ LPTV ~~")~~ broadcast stations have expirations between ~~2023~~ **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 ~~38~~ **17** pending renewal applications at the end of ~~2022~~ **2023** , and will have ~~6~~ **no** applications due in ~~2023~~ **2024** . 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. Low Power Television 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 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 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.**