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#54349

**Date:** March 21, 2024

**Subject:** INNOVATE Corporation - Rights Distribution  
Option Symbol: VATE  
New Symbol: VATE1  
Date: 03/05/2024  
\* \* \* Update - Broker to Broker Settlement \* \* \*

INNOVATE Corporation Rights (VATE RT) were suspended from trading from New York Stock Exchange before the open on March 21, 2024. As of March 21, 2024, the VATE RT Rights are no longer eligible for Continuous Net Settlement ("CNS") at the National Securities Clearing Corporation ("NSCC"). The VATE RT Rights are expected to expire at 5:00 p.m. Eastern Time on March 25, 2023. The VATE RT component of adjusted option VATE1 will remain part of the VATE1 deliverable until the Rights have expired. Once the expiration of the Rights has been confirmed, the VATE RT component will be removed from the VATE1 deliverable. This change to the deliverables is expected to be effective on March 26, 2024.

#### Broker to Broker Settlement

As of March 21, 2024, INNOVATE Corporation Rights (VATE RT) are no longer eligible for Continuous Net Settlement ("CNS") at the National Securities Clearing Corporation ("NSCC"). As a result, the VATE RT component of VATE1 exercise and assignment activity will be subject to broker to broker settlement as of March 21, 2024.

INNOVATE Corporation (VATE) has declared a Rights distribution to VATE Common Shareholders, as described below:

**Rights:** Transferable Rights ("Rights") to purchase 0.2858 of A VATE Common Share per 1 whole Right at an exercise price of \$0.70 per share

**Price:** \$0.70 per whole VATE Common Share

**Distribution Ratio:** 1 transferable Right per 1 VATE Common Share

**Record Date:** March 6, 2024

**Expiration:** March 25, 2024 at 5:00 p.m. Eastern Time, unless extended

**Depository:** Computershare Trust Company, N.A.

**Guaranty Period:** None

INNOVATE Corporation Rights began trading on the NYSE on March 11, 2024, under the trading symbol "VATE RT".

### **Contract Adjustment**

<b>Effective Date:</b>	March 5, 2024
<b>Option Symbol:</b>	VATE changes to VATE1
<b>Strike Divisor:</b>	1
<b>Contract Multiplier:</b>	1
<b>New Multiplier:</b>	100 (e.g., a premium of 1.50 yields \$150)
<b>New Deliverable Per Contract:</b>	1) 100 INNOVATE Corporation (VATE) Common Shares 2) 100 INNOVATE Corporation Rights (VATE RT)
<b>Settlement Allocation:</b>	VATE: 95% VATE RT: 5%
<b>CUSIPs:</b>	VATE: 45784J105 VATE RT: 45784J113

THE ALLOCATION OF THE AGGREGATE STRIKE PRICE AMOUNT IS BEING PROVIDED SOLELY FOR THE PURPOSE OF THE INTERFACE BETWEEN OCC AND THE NATIONAL SECURITIES CLEARING CORPORATION (NSCC), AND IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE, TRANSACTION OR CUSTOMER ACCOUNT STATEMENTS.

### **Settlement**

The VATE component of the VATE 1 exercise/assignment activity will continue to settle through National Securities Clearing Corporation (NSCC). The VATE RT component of the VATE1 deliverable, will be subject to broker to broker settlement.

**NOTE:** The VATE RT Rights were suspended from trading on the New York Stock Exchange before the open on March 21, 2024 and are expected to expire on March 25, 2024 at 5:00 p.m. Eastern Time. The Rights component of adjusted option VATE1 will remain part of the VATE1 deliverable until the Rights have expired. Once the expiration of the Rights has been confirmed, the Rights component will be removed from the VATE1 deliverable. This change to the deliverables is expected to be effective on March 26, 2024.

### **Pricing**

The underlying price of VATE1 will be determined as follows:

$$\text{VATE1} = \text{VATE} + \text{VATE RT}$$

### **Further Contract Adjustment**

When the Rights expire, adjusted VATE1 options will be further adjusted to no longer call for the delivery of the Rights. **No adjustment will be made to the adjusted contracts to compensate for any in-the-money value the VATE Rights may have at the time of their expiration.**

### **Exercise Considerations**

The Rights were suspended from trading before the open on March 21, 2024 are expected to expire on March 25, 2024 at 5:00 p.m. Eastern Time. VATE shareholders who exercise their respective full basic subscription rights will have over-subscription privileges giving such shareholders the option to subscribe for any shares of common stock that remain unsubscribed at the expiration of the rights offering. Call option holders who wish to exercise their adjusted options to obtain the Rights for subsequent exercise, sale or other purposes bear sole responsibility for determining when to exercise their options as well as complying with all terms and conditions of the Rights offering applicable to Rights exercise or delivery.

### **Delivery Settlement and Protect Provisions**

Option contracts which are exercised, will require the settlement of all component securities included in the contract deliverable at the time of the option contract exercise, including rights, warrants, or similar instruments. Additional entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon option exercise. Conversely, exercised calls may be unable to realize the benefit of securities or entitlements **not** associated to the contract deliverable at the time of the option exercise or Option contract maturity.

Except in unusual cases, securities deliverable as a result of equity option exercises and or Option contract maturity are settled through National Securities Clearing Corporation (NSCC).

Rights and obligations of Members with respect to securities settling at NSCC as a result of an option exercise/assignment are governed by the rules of NSCC. NSCC has its own rules which enable purchasers of securities to protect themselves for value which may be lost if timely delivery is not made to them of securities subject to specific deadlines, such as the expiration of a tender offer, rights offering, election, or similar event. These rules are generally called protect or liability notice procedures, and are intended to protect purchasers by binding the delivering parties to liability if such value is lost because timely delivery is not effected. Purchasers of securities must observe the rules and procedures of NSCC to avail themselves of such protect provisions of NSCC. Questions regarding these provisions should be addressed to NSCC.

### **Special Risks**

#### **Call Holders/ Put Writers**

As a result of the adjustment described above, the Rights will be part of the adjusted VATE1 options deliverable, but only until the Rights expire, after which time they will be dropped from the deliverable of the option contract. When the Rights expire and are dropped from the deliverable of the option contract, any value the Rights may have had will no longer be associated with the option contract. As a result, holders of in-the-money calls may be disadvantaged unless they exercise in sufficient time to obtain the Rights. After the Rights expire and are dropped from the deliverable of the option contract, holders of short put positions who are assigned will be required to purchase VATE stock *whose value may have been substantially diminished by the Rights distribution*.

#### **Uncovered Short Obligations**

Holders of assigned calls or exercised puts who do not possess the underlying security at the time of assignment or exercise are subject to special risk. Suspension of trading of the underlying security, inability to borrow the security, or similar events may preclude the possibility of effecting timely delivery, thereby exposing persons with an obligation to deliver to liability if timely delivery is not effected (See Delivery Settlement and Protect Provisions above).

### **Disclaimer**

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for

the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

**ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.**

For questions regarding this memo, please email the Investor Education team at [options@theocc.com](mailto:options@theocc.com). Clearing Member Firms of OCC may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email [memberservices@theocc.com](mailto:memberservices@theocc.com).