

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2021

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35947



Star Equity Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

53 Forest Ave. Suite 101, Old Greenwich CT
(Address of Principal Executive Offices)

33-0145723

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

06870
(Zip Code)

(203) 489-9500

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	STRR	NASDAQ Global Market
Series A Cumulative Perpetual Preferred Stock, par value \$0.0001 per share	STRRP	NASDAQ Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 2, 2021, the registrant had 5,073,654 shares of Common Stock (\$0.0001 par value) outstanding.

STAR EQUITY HOLDINGS, INC.
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Important Information Regarding Forward-Looking Statements

Portions of this Quarterly Report on Form 10-Q (including information incorporated by reference) include “forward-looking statements” based on our current beliefs, expectations, and projections regarding our business strategies, market potential, future financial performance, industry, and other matters. This includes, in particular, “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q, as well as other portions of this Quarterly Report on Form 10-Q. The words “believe,” “expect,” “anticipate,” “project,” “could,” “would,” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those projected, anticipated, or implied in the forward-looking statements. The most significant of these risks, uncertainties, and other factors are described in “Item 1A — Risk Factors” of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the U.S. Securities and Exchange Commission on March 29, 2021. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STAR EQUITY HOLDINGS, INC. **CONSOLIDATED STATEMENTS OF OPERATIONS** (Unaudited) (In thousands, except for per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Healthcare	\$ 14,870	\$ 9,473	\$ 28,177	\$ 23,148
Construction	10,936	5,035	19,983	10,519
Investments	—	2	—	33
Total revenues	25,806	14,510	48,160	33,700
Cost of revenues:				
Healthcare	11,461	7,288	22,170	18,089
Construction	12,780	3,982	21,283	9,063
Investments	61	66	126	131
Total cost of revenues	24,302	11,336	43,579	27,283
Gross profit	1,504	3,174	4,581	6,417
Operating expenses:				
Selling, general and administrative	5,584	3,670	10,638	8,533
Amortization of intangible assets	430	559	868	1,135
Gain on sale of MD Office Solutions	—	—	(847)	—
Total operating expenses	6,014	4,229	10,659	9,668
Loss from operations	(4,510)	(1,055)	(6,078)	(3,251)
Other income (expense):				
Other income, net	2,950	672	4,205	832
Interest expense, net	(199)	(394)	(472)	(699)
Total other income	2,751	278	3,733	133
Loss from continuing operations before income taxes	(1,759)	(777)	(2,345)	(3,118)
Income tax expense	(32)	(34)	(34)	(61)
Loss from continuing operations, net of tax	(1,791)	(811)	(2,379)	(3,179)
Loss (income) from discontinued operations, net of tax	(65)	(476)	5,955	(1,061)
Net (loss) income	(1,856)	(1,287)	3,576	(4,240)
Deemed dividend on Series A perpetual preferred stock	(479)	(484)	(958)	(968)
Net (loss) income attributable to common shareholders	\$ (2,335)	\$ (1,771)	\$ 2,618	\$ (5,208)
Net income (loss) per share—basic and diluted				
Net loss per share, continuing operations	\$ (0.36)	\$ (0.27)	\$ (0.48)	\$ (1.25)
Net (loss) income per share, discontinued operations	\$ (0.01)	\$ (0.16)	\$ 1.20	\$ (0.42)
Net (loss) income per share—basic and diluted	\$ (0.37)	\$ (0.42)	\$ 0.72	\$ (1.66)
Deemed dividend on Series A cumulative perpetual preferred stock per share	\$ (0.10)	\$ (0.16)	\$ (0.19)	\$ (0.38)
Net (loss) income per share, attributable to common shareholders—basic and diluted:	\$ (0.46)	\$ (0.58)	\$ 0.53	\$ (2.04)
Weighted-average shares outstanding—basic and diluted	5,039	3,041	4,978	2,547

Dividends declared per Series A perpetual preferred stock	\$	0.25	\$	—	\$	0.25	\$	—
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See accompanying notes to the unaudited consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share amounts)

	June 30, 2021	December 31, 2020
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,160	\$ 3,225
Restricted cash	168	168
Accounts receivable, net	14,079	12,975
Inventories, net	12,020	9,787
Other current assets	2,700	2,025
Assets held for sale	—	20,756
Total current assets	35,127	48,936
Property and equipment, net	9,222	9,762
Operating lease right-of-use assets, net	3,147	1,769
Intangible assets, net	15,932	16,900
Goodwill	9,405	9,542
Other assets	2,553	1,384
Total assets	\$ 75,386	\$ 88,293
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 5,104	\$ 4,952
Accrued compensation	2,684	2,825
Accrued warranty	345	214
Deferred revenue	3,206	2,184
Short-term debt and current portion of long-term debt	13,113	18,362
Payable to related parties	—	2,307
Operating lease liabilities	1,044	1,011
Other current liabilities	2,665	3,000
Liabilities held for sale	—	7,871
Total current liabilities	28,161	42,726
Long-term debt, net of current portion	—	3,700
Deferred tax liabilities	85	51
Operating lease liabilities, net of current portion	2,155	828
Other liabilities	1,173	1,059
Total liabilities	31,574	48,364
Commitments and contingencies (Note 9)		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized: 10% Series A Cumulative Perpetual Preferred Stock, 8,000,000 shares authorized, liquidation preference (\$10.00 per share), 1,915,637 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	21,979	21,500
Stockholders' Equity:		
Preferred stock, \$0.0001 par value: 25,000 shares authorized; Series C Participating Preferred stock, no shares issued or outstanding	—	—

Common stock, \$0.0001 par value: 30,000,000 shares authorized; 5,073,654 and 4,798,367 shares issued and outstanding (net of treasury shares) at June 30, 2021 and December 31, 2020, respectively	—	—
Treasury stock, at cost; 258,849 shares at June 30, 2021 and December 31, 2020, respectively	(5,728)	(5,728)
Additional paid-in capital	148,971	149,143
Accumulated deficit	(121,410)	(124,986)
Total stockholders' equity	21,833	18,429
Total liabilities, mezzanine equity and stockholders' equity	\$ 75,386	\$ 88,293

See accompanying notes to the unaudited consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net income (loss)	\$ 3,576	\$ (4,240)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	903	3,164
Amortization of intangible assets	868	1,618
Non-cash lease expense	785	1,082
Provision for bad debt, net	31	7
Stock-based compensation	265	260
Amortization of loan issuance costs	100	163
Debt issuance costs write-off	130	—
Gain on disposal of discontinued operations	(5,159)	—
Gain on disposal of MD Office Solutions	(847)	—
(Gain) loss on sale of assets	(117)	165
Gain on Paycheck Protection Program loan forgiveness	(4,179)	—
Deferred income taxes	34	66
Other, net	289	20
Changes in operating assets and liabilities:		
Accounts receivable	(1,340)	4,042
Inventories	(2,233)	(446)
Other assets	(636)	207
Accounts payable	(197)	(3,317)
Accrued compensation	64	(447)
Deferred revenue	970	390
Operating lease liabilities	(795)	(1,087)
Other liabilities	(111)	(1,598)
Net cash (used in) provided by operating activities	(7,599)	49
Investing activities		
Purchases of property and equipment	(383)	(286)
Proceeds from sale of discontinued operations	18,750	—
Proceeds from sale of property and equipment	48	84
Purchases of equity securities	(394)	—
Net cash provided by (used in) investing activities	18,021	(202)
Financing activities		
Proceeds from borrowings	63,583	58,570
Repayment of debt	(70,739)	(55,371)
Loan issuance costs	—	(317)
Net proceeds from sale of common stock and warrants	—	4,203
Proceeds from exercise of warrants	567	773
Fees paid on issuance of rights agreement	(28)	—
Taxes paid related to net share settlement of equity awards	(18)	(13)
Repayment of obligations under finance leases	(420)	(473)
Preferred stock dividends paid	(479)	—
Net cash (used in) provided by financing activities	(7,534)	7,372
Net increase in cash, cash equivalents, and restricted cash including cash classified within current assets held for sale	2,888	7,219
Less: Net decrease in cash classified within current held for sale	(47)	(74)
Net increase in cash, cash equivalents, and restricted cash	2,935	7,293

Cash, cash equivalents, and restricted cash at beginning of period	3,393	1,987
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 6,328</u>	<u>\$ 9,280</u>
Non-Cash Investing Activities		
MD Office Solutions Promissory Note Receivable	\$ 1,385	\$ —
Non-Cash Financing Activities		
Gain on Paycheck Protection Program Loan Forgiveness	\$ 4,179	\$ —

See accompanying notes to the unaudited consolidated financial statements.

STAR EQUITY HOLDINGS, INC. CONSOLIDATED STATEMENTS OF MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	1,916	\$ 21,500	4,798	\$ —	\$ (5,728)	\$ 149,143	\$ (124,986)	\$ 18,429
Stock-based compensation	—	—	—	—	—	131	—	131
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	3	—	—	(5)	—	(5)
Accrued dividends on perpetual preferred stock	—	479	—	—	—	(479)	—	(479)
Proceeds from exercise of warrants	—	—	220	—	—	493	—	493
Net income	—	—	—	—	—	—	5,432	5,432
Balance at March 31, 2021	1,916	21,979	5,021	—	(5,728)	149,283	(119,554)	24,001
Stock-based compensation	—	—	—	—	—	134	—	134
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	20	—	—	(13)	—	(13)
Accrued dividends on perpetual preferred stock	—	479	—	—	—	(479)	—	(479)
Preferred dividends paid	—	(479)	—	—	—	—	—	—
Fees paid on issuance of rights agreement	—	—	—	—	—	(28)	—	(28)
Proceeds from exercise of warrants	—	—	33	—	—	74	—	74
Net loss	—	—	—	—	—	—	(1,856)	(1,856)
Balance at June 30, 2021	1,916	\$ 21,979	5,074	\$ —	\$ (5,728)	\$ 148,971	\$ (121,410)	\$ 21,833

	Perpetual Preferred Stock		Common stock		Treasury Stock	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	1,916	\$ 19,602	2,050	\$ —	(5,728)	\$ 145,352	\$ (118,529)	\$ 21,095
Stock-based compensation	—	—	—	—	—	109	—	109
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	5	—	—	—	—	—
Accrued dividend on perpetual preferred stock	—	484	—	—	—	(484)	—	(484)
Net loss	—	—	—	—	—	—	(2,953)	(2,953)
Balance at March 31, 2020	1,916	20,086	2,055	—	(5,728)	144,977	(121,482)	17,767
Stock-based compensation	—	—	—	—	—	151	—	151
Shares issued under stock incentive plans, net of shares withheld for employee taxes	—	—	42	—	—	(13)	—	(13)
Accrued dividend on perpetual preferred stock	—	484	—	—	—	(484)	—	(484)
Net proceeds from sale of common stock and warrants	—	—	2,450	—	—	4,203	—	4,203
Proceeds from exercise of warrants	—	—	145	—	—	773	—	773
Net loss	—	—	—	—	—	—	(1,287)	(1,287)
Balance at June 30, 2020	1,916	\$ 20,570	4,692	\$ —	(5,728)	\$ 149,607	\$ (122,769)	\$ 21,110

See accompanying notes to unaudited consolidated financial statements.

STAR EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

Basis of Presentation

The unaudited consolidated financial statements included in this Form 10-Q have been prepared in accordance with the U.S. Securities and Exchange Commission (the “SEC”) instructions for Quarterly Reports on Form 10-Q. Accordingly, the consolidated financial statements are unaudited and do not contain all the information required by U.S. generally accepted accounting principles (“GAAP”) to be included in a full set of financial statements. The unaudited condensed consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for a complete set of financial statements. The audited consolidated financial statements for our fiscal year ended December 31, 2020, filed with the SEC on Form 10-K on March 29, 2021, include a summary of our significant accounting policies and should be read in conjunction with this Form 10-Q. In the opinion of management, all material adjustments necessary to present fairly the results of operations, cash flows, and balance sheets for such periods have been included in this Form 10-Q. All such adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results of operations for the entire year.

The Company and Discontinued Operations

On March 31, 2021, Star Equity Holdings, Inc. (“Star Equity,” the “Company,” “we,” or “our”), a diversified holding company with three divisions: Healthcare, Construction, and Investments, announced the completion of the sale of DMS Health Technologies, Inc., a North Dakota corporation and wholly owned indirect subsidiary of Star Equity (“DMS Health”), for \$18.75 million in cash, as originally announced on November 3, 2020 (the “DMS Sale Transaction”). The assets and liabilities of DMS Health were previously classified as held for sale and the results of DMS Health’s operations were presented as a discontinued operations in our previously issued financial statements. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. Refer to Note 2. *Discontinued Operations* for additional information.

COVID-19 Pandemic

During the three and six months ended June 30, 2021, we had a \$5.4 million and \$5.0 million increase, respectively, in Healthcare division revenue and a \$5.9 million and \$9.5 million increase, respectively, in Construction division revenue, as compared to the same period of the prior year. We have largely recovered from the economic effects of the COVID-19 pandemic and made our way back to pre-COVID-19 levels of business activity, and we have actual revenue growth, especially in our construction division. In our Healthcare Division, our imaging volume rebound as the pandemic is brought further under control. The current COVID-19 pandemic, which is impacting worldwide economic activity, poses the risk that the Company or its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. The extent to which the COVID-19 pandemic will impact the Company’s business will depend on future developments that are highly uncertain and cannot be predicted at this time.

Mezzanine Equity

Pursuant to the Certificate of Designations, Rights and Preferences of 10% Series A Cumulative Perpetual Preferred Stock of Star Equity Holdings, Inc. (formerly Digirad Corporation) (the “Certificate of Designations”), upon a Change of Control Triggering Event, as defined in the Certificate of Designations, holders of the 10% Series A Cumulative Perpetual Preferred Stock (the “Preferred Stock”) may require us to redeem the Preferred Stock at a price of \$10.00 per share, plus any accumulated and unpaid dividends (a “Change of Control Redemption”). As this redemption feature of the shares is not solely within the control of the Company, the Preferred Stock does not qualify as permanent equity and has been classified as mezzanine or temporary equity. Accordingly, the Preferred Stock is not redeemable and it was not probable that the Preferred Stock would become redeemable as of June 30, 2021. Therefore, we are not currently required to accrete the Preferred Stock to its redemption value.

In addition to a Change of Control Redemption, the Certificate of Designations also provides that we may redeem (at its option, in whole or in part) the Preferred Stock following the fifth anniversary of issuance of the Preferred Stock, at a cash redemption price of \$10.00 per share, plus any accumulated and unpaid dividends.

On May 26, 2021, our board of directors declared a cash dividend to holders of 10% Series A Cumulative Perpetual Preferred Stock of \$0.25 per share, for an aggregate amount of approximately \$479 thousand. The record date for this dividend was June 1, 2021, and the payment date was June 11, 2021. Refer to preferred stock dividends discussed in Note 13, *Perpetual Preferred Stock*.

Common Stock Equity Offering

On May 28, 2020, we closed a public offering (the “Offering”) of 2,225,000 shares of our common stock, and 2,225,000 warrants (the “Warrants”) to purchase up to 1,112,500 additional shares of our common stock. The Offering price was \$2.24 per share of common stock and \$0.01 per accompanying Warrant (for a combined Offering price of \$2.25), initially raising \$5.0 million in gross proceeds before underwriter discounts and offering-related expenses. The underwriting agreement (the “Underwriting Agreement”) we entered into with Maxim Group LLC (“Maxim”), as representative of the underwriters, for the Offering contained customary representations, warranties, and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and Maxim and certain other obligations.

Pursuant to the terms of the Underwriting Agreement, we granted to Maxim an option for a period of 45 days (the “Over-Allotment Option”) to purchase up to 225,000 additional shares of our common stock and 225,000 Warrants to purchase up to an additional 112,500 shares of our common stock. Effective as of the closing of the Offering, Maxim exercised the Over-Allotment Option for the purchase of 225,000 Warrants for a price of \$0.01 per Warrant. On June 10, 2020, Maxim exercised the Over-Allotment Option for the purchase of 225,000 shares of our common stock for a price of \$2.24 per share, before underwriting discounts. The closing of the sale of the over-allotment shares brought the total number of shares of common stock we sold in the Offering to 2,450,000 shares, and total gross proceeds to approximately \$5.5 million. In addition, we received \$0.5 million from investors in the Offering throughout the balance of 2020 due to the exercise of a portion of the Warrants sold in the Offering, bringing the total gross proceeds from equity issuance to \$6.0 million.

The net proceeds to us from the Offering and Warrant exercises in 2020 were approximately \$5.2 million (inclusive of the exercise of the over-allotment option), after deducting underwriter fees and offering-related expenses estimated at \$0.8 million. We used a significant portion of the net proceeds from the Offering to fund working capital needs at our construction businesses, particularly related to modular housing projects which we produced at KBS Builders, Inc. (“KBS”) for the Boston-area projects. The remainder of the net proceeds is being used for working capital and for other general corporate purposes. We have broad discretion in determining how the proceeds of the Offering is used, and our discretion is not limited by the aforementioned possible uses.

As of June 30, 2021, 1.0 million warrants were exercised and 1.5 million warrants remained outstanding at an exercise price of \$2.25.

Liquidity Outlook

The accompanying financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and settlement of obligations in the normal course of business. We incurred net losses from operations of approximately \$4.5 million and \$6.1 million for the three and six months ended June 30, 2021, respectively, and \$1.1 million and \$3.3 million for the three and six months ended June 30, 2020, respectively. We have an accumulated deficit of \$121.4 million and \$125.0 million as of June 30, 2021 and December 31, 2020, respectively. Net cash used in operations was \$7.6 million for the six months ended June 30, 2021, compared to net cash provided by operations of \$49 thousand for the same prior year period in 2020.

Regarding our debt, we had approximately \$13.1 million in short term debt due to our borrowings which is classified as short term as disclosed in Note 8. *Debt*. The \$7.2 million SNB debt primarily supports our healthcare business and matures in 2024, but GAAP rules require that the outstanding balance be classified as short-term debt, due to the automatic sweep feature embedded in the traditional lockbox arrangement along with a subjective acceleration clause in the SNB Loan and Security Agreement. In practice, we have the ability to immediately borrow back these daily sweeps to fund our working capital. As of June 30, 2021, we were in compliance with all borrowing arrangements related to our Healthcare division. As of June 30, 2021, we had \$2.5 million of borrowing capacity to fund the operations of these divisions.

As of June 30, 2021, we have \$4.7 million outstanding on our Construction revolvers with Gerber and were not in compliance with all borrowing covenants for Gerber, but obtained waivers for the measurement period ended June 30, 2021. While Gerber has historically provided us with waivers, there is no assurance that we will be able to receive waivers for covenant violations in the future, or that we will meet compliance with covenants in the future. We have \$1.2 million outstanding on our Star term loan, on which we have been making timely payments and are in compliance with the borrowing arrangements. Related party notes of \$2.3 million that were outstanding at December 31, 2020 were fully paid off on April 1, 2021, using proceeds from the DMS Sale Transaction. In addition, as of June 30, 2021, we had cash and cash equivalents of \$6.3 million. We expected to return to normal levels in the second half of this year due to steps we took to increase our product pricing and the expectation that raw materials prices will continue to normalize.

Management believes that we have the liquidity and operations to continue to support the business through the next 12 months from the issuance of this Quarterly Report. Our ability to continue as a going concern is dependent on our ability to execute its plans.

Use of Estimates

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from management's estimates.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606 and Topic 842.

Pursuant to ASC 606, *Revenue from Contracts with Customers*, we recognize revenue when a customer obtains control of promised goods or services. We record the amount of revenue that reflects the consideration that it expects to receive in exchange for those goods or services. We apply the following five-step model in order to determine this amount: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Revenue recognition is evaluated on a contract by contract basis. Performance obligations are satisfied over time as work progresses or at a point in time. A performance obligation is satisfied over time if we have an enforceable right to payment. Determining if there is an enforceable right to payment is assessed on a contract by contract basis. For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date.

Healthcare Services Revenue Recognition. We generate service revenue primarily from providing diagnostic services and cardiac monitoring services to our customers. Service revenue within our Diagnostic Services reportable segments is derived from providing our customers with contract diagnostic services, which includes use of our imaging systems, qualified personnel, radiopharmaceuticals, licensing, logistics and related items required to perform testing in their own offices. We bill customers either on a per-scan or fixed-payment methodology, depending upon the contract that is negotiated with the customer. Within our Diagnostic Service segment, we also rent cameras to healthcare customers for use in their operations. Rental revenues are structured as either a weekly or monthly payment arrangement, and are recognized in the month services are provided. Revenue related to provision of our services is recognized at the time services are performed.

Healthcare Product and Product-Related Revenue Recognition. We generate revenue from product and product-related sales, primarily from the sale of gamma cameras and accessories.

Diagnostic Imaging product revenues are generated from the sale of internally developed solid-state gamma camera imaging systems and camera maintenance service contracts. Revenue from sales of imaging systems is generally recognized upon the delivery of systems and acceptance by customers. We also provide installation services and training on cameras sold, primarily in the United States. Installation and initial training is generally performed shortly after delivery and the revenue related to the provision of these services is recognized at the time services are performed. Neither installation nor training is essential to the functionality of the product. Finally, we offer camera maintenance service contracts that are sold beyond the term of the initial warranty, generally one year from the date of purchase. Revenue from these service contracts is deferred and recognized ratably over the period of the obligation.

Construction Revenue Recognition. Within the Construction segment, we service residential and commercial construction projects by manufacturing modular housing units and other products and supplies general contractors with building materials. KBS manufactures modular buildings for both single-family residential homes and larger, commercial building projects. Our EdgeBuilder, Inc. (“EdgeBuilder”) subsidiary manufactures structural wall panels, permanent wood foundation systems and other engineered wood products, and our Glenbrook Building Supply, Inc. (“Glenbrook”) subsidiary is a retail supplier of lumber and other building supplies. Revenue is generally recognized upon delivery of the product. Retail sales at Glenbrook are recognized at the point of sale. For bill and hold sales, we determine when the customer obtains control of the product on a case-by-case basis to determine the amount of revenue to recognize each period.

Leases

Lessee Accounting

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease liabilities, and operating lease liabilities, net of current portion in our condensed consolidated balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our condensed consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use the implicit discount rate when readily determinable; however, as most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease valuation may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We elected not to separate lease and non-lease components of its operating leases in which it is the lessee and lessor. Additionally, we elected not to recognize right-of-use assets and leases liabilities that arise from short-term leases of twelve months or less.

Lessor Accounting

The majority of the lease income of the Healthcare division comes from camera rentals and the lease income of the Construction division comes from the rental of the Waterford facility to a commercial tenant. We determine lease classification at the commencement date. Leases not classified as sales-type or direct financing leases are classified as operating leases. The primary accounting criteria we use for lease classification are (a) review to determine if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, (b) review to determine if the lease grants the lessee a purchase option that the lessee is reasonably certain to exercise, (c) determine, using a seventy-five percent or more threshold, if the lease term is for a major part of the remaining economic life of the underlying asset (however, we do not use this classification criterion when the lease commencement date falls within the last 25 percent of the total economic life of the underlying asset) and (d) determine, using a ninety percent or more threshold, if the present value of the sum of the lease payments and any residual value guarantees equal or exceeds substantially all of the fair value of the underlying asset. We do not lease equipment of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Each of our leases is classified as an operating lease.

We elected the operating lease practical expedient for its leases to not separate non-lease components of regular maintenance services from associated lease components. This practical expedient is available when both of the following are met: (i) the timing and pattern of transfer of the non-lease components and associated lease component are the same and (ii) the lease component, if accounted for separately, would be classified as an operating lease.

Property taxes paid by the lessor that are reimbursed by the lessee are considered to be lessor costs of owning the asset, and are recorded gross with revenue included in other non-interest income and expense recorded in operating expenses.

We selected a lessor accounting policy election to exclude from revenue and expenses sales taxes and other similar taxes assessed by a governmental authority on lease revenue-producing transactions and collected by the lessor from a lessee.

Operating lease equipment is carried at cost less accumulated depreciation. Operating lease equipment is depreciated to its estimated residual value using the straight-line method over the lease term or estimated useful life of the asset.

Rental revenue on operating leases is recognized on a straight-line basis over the lease term unless collectability is not probable. In these cases, rental revenue is recognized as payments are received.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued ASU No 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019-12”). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 in Generally Accepted Accounting Principles. ASU 2019-12 is effective for public entities for fiscal years beginning after December 15, 2020, with early adoption permitted. We adopted the guidance effective the first quarter of 2021. ASU 2019-12 does not have a material effect on our current financial position, results of operations or financial statement disclosures.

New Accounting Standards To Be Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables and available-for-sale debt securities. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those periods, and early adoption is permitted. We expect to adopt the standard on its effective date in the first quarter of 2023. We believe the adoption will modify the way we analyze financial instruments, but currently do not expect the adoption to have a material financial impact on our consolidated financial statements.

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-04, Reference Rate Reform (Topic 848), to temporarily ease the potential burden in accounting for reference rate reform. The standard provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance generally can be applied through December 31, 2022. We will monitor our contracts and transactions for potential application of this ASU.

Note 2. Discontinued Operations

On October 30, 2020, Star Equity entered into a Stock Purchase Agreement (the “DMS Purchase Agreement”) by and among the Company, Project Rendezvous Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of the Company (“Seller”), DMS Health, and Knob Creek Acquisition Corp., a Tennessee corporation (“Buyer”) pursuant to which, subject to the satisfaction or waiver of certain conditions, Buyer purchased all of the issued and outstanding common stock of DMS Health from Seller. The purchase price for the DMS Sale Transaction was \$18.75 million in cash, subject to certain adjustments, including a working capital adjustment. The DMS Sale Transaction was announced on November 3, 2020, and was subsequently completed on March 31, 2021. We deemed the disposition of the Mobile Healthcare business unit, which was effected upon the closing of the DMS Sale Transaction, to represent a strategic shift that will have a major effect on our operations and financial results. As of December 31, 2020, the Mobile Healthcare business met the criteria to be classified as held for sale. This segment is reported on the Consolidated Statement of Operations as discontinued operations and on the Consolidated Balance Sheet as Assets and Liabilities held for sale.

We allocated a portion of interest expense to discontinued operations since the proceeds received from the sale were required to be used to pay down outstanding borrowings under our revolving credit facility with Sterling National Bank. The allocation was based on the ratio of assets generated based on the borrowing capacity to total borrowings capacity for the period. In addition, certain general and administrative costs related to corporate and shared service functions previously allocated to the mobile healthcare reportable segment are included in discontinued operations.

The following table presents financial results of DMS Health for the three and six months ended June 30, 2021 and 2020 business (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenues	\$ —	\$ 7,832	\$ 9,490	\$ 17,499
Total cost of revenues	—	6,981	6,973	15,449
Gross profit	—	851	2,517	2,050
Operating expenses:				
Selling, general and administrative	—	1,079	1,469	2,446
Amortization of intangible assets	—	242	—	483
Total operating expenses	—	1,321	1,469	2,929
(Loss) income from discontinued operations	—	(470)	1,048	(879)
Interest expense, net	—	10	(180)	(159)
(Loss) gain on sale of discontinued operations	(65)	—	5,159	—
(Loss) income from discontinuing operations before income taxes	(65)	(460)	6,027	(1,038)
Income tax expense	—	(16)	(72)	(23)
(Loss) income from discontinuing operations	<u>\$ (65)</u>	<u>\$ (476)</u>	<u>\$ 5,955</u>	<u>\$ (1,061)</u>

The following represents the carrying amounts of the major classes of assets reported as “Assets held for sale” as of December 31, 2020 (in thousands):

	December 31, 2020
Cash and cash equivalents	\$ 443
Accounts receivable, net	4,305
Inventories, net	50
Other current assets	459
Property and equipment, net	7,721
Operating lease right-of-use assets, net	4,863
Intangible assets, net	2,915
	<u>\$ 20,756</u>

The following represents the carrying amounts of the major classes of liabilities reported as “Liabilities held for sale” as of December 31, 2020 (in thousands):

	December 31, 2020
Accounts payable	\$ 1,597
Accrued compensation	645
Deferred revenue	96
Operating lease liabilities	4,863
Other current liabilities	560
Deferred tax liabilities	16
Other liabilities	94
	<u>\$ 7,871</u>

The following table presents the significant non-cash operating, investing and financing activities from discontinued operations for the six months ended June 30, 2021 and 2020 (in thousands):

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Depreciation	\$ 7	\$ 2,259
Amortization of intangible assets	—	483
Non-cash lease expense	256	378
Loss on extinguishment of debt	130	—
Gain on sale of DMS discontinued operations	(5,159)	—
Share-based compensation	2	7
Loss on disposal of assets	1	4
Provision for bad debt	—	2
Investing activities		
Purchase of property and equipment	(154)	(206)
Proceeds from sale of discontinued operations	18,750	—
Proceeds from sale of property and equipment	3	70
Financing activities		
Repayment of obligations under finance leases	(60)	(181)
Non-Cash Investing Activities		
Fixed asset purchases in accounts payable	—	171
Lease assets obtained in exchange for new operating lease liabilities	—	681

Following is the reconciliation of purchase price to the gain recognized in income from discontinued operations for the three months and six months ended June 30, 2021 (in thousands):

Estimated proceeds of the disposition, net of transaction costs	\$ 18,750
Assets of the businesses	(20,920)
Liabilities of the businesses	7,712
Transaction expenses	(383)
Pre-tax gain on the disposition	<u>\$ 5,159</u>

Note 3. Revenue

Healthcare Product and Product-Related Revenues and Services Revenue

Healthcare product and product-related services revenue are generated from the sale of gamma cameras, accessories and post-warranty maintenance service contracts within our Diagnostic Imaging reportable segment.

Healthcare Imaging services revenue are generated from providing diagnostic imaging services to customers within our Diagnostic Services reportable segment. Services revenue also includes lease income generated from camera rentals of imaging systems to our customers.

Construction

Construction revenue is generated from selling modular buildings for both single-family residential homes, larger commercial building projects and selling structural wall panels, permanent wood foundation systems and other engineered wood products.

Investments

Star Real Estate Holdings USA, Inc. ("SRE") generates revenue from the lease of commercial properties and equipment and Lone Star Value Management, LLC ("LSVM"), a Connecticut based exempt reporting advisor provided services that included investment advisory services, and the servicing of pooled investment vehicles.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Taxes collected from customers, which are subsequently remitted to governmental authorities, are excluded from revenue.

The majority of our contracts have a single performance obligation, as we provide a series of distinct goods or services that are substantially the same and are transferred with the same pattern to the customer. For contracts with multiple performance obligations, we allocate the total transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. We use an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. For bill and hold sales, we determine when the customer obtains control of the product on a case-by-case basis to determine the amount of revenue to recognize each period.

Revenue recognition is evaluated on a contract by contract basis. Performance obligations are satisfied over time as work progresses or at a point-in-time. A performance obligation is satisfied over time if we have an enforceable right to payment. Determining if there is an enforceable right to is assessed on a contract by contract basis. For contracts requiring over time revenue recognition, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use a cost-based input measurement of progress because it best depicts the transfer of assets to the customer, which occurs as costs are incurred during the manufacturing process or as services are rendered. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the costs incurred to date.

Our products are generally not sold with a right of return and we do not provide significant credits or incentives, which may be a variable consideration when estimating the amount of revenue to be recognized.

Disaggregation of Revenue

The following tables present our revenues for the three and six months ended June 30, 2021 and 2020, disaggregated by major source (in thousands):

	Three Months Ended June 30, 2021			
	Diagnostic Services	Diagnostic Imaging	Construction	Total
Major Goods/Service Lines				
Mobile Imaging	\$ 11,686	\$ —	\$ —	\$ 11,686
Camera	—	1,464	—	1,464
Camera Support	—	1,663	—	1,663
Healthcare Revenue from Contracts with Customers	11,686	3,127	—	14,813
Lease Income	57	—	3	60
Construction	—	—	10,933	10,933
Total Revenues	\$ 11,743	\$ 3,127	\$ 10,936	\$ 25,806

Timing of Revenue Recognition

Services and goods transferred over time	\$ 11,743	\$ 1,531	\$ 217	\$ 13,491
Services and goods transferred at a point in time	—	1,596	10,719	12,315
Total Revenues	\$ 11,743	\$ 3,127	\$ 10,936	\$ 25,806

	Three Months Ended June 30, 2020				
	Diagnostic Services	Diagnostic Imaging	Construction	Investments	Total
Major Goods/Service Lines					
Mobile Imaging	\$ 6,989	\$ —	\$ —	\$ —	\$ 6,989
Camera	—	674	—	—	674
Camera Support	—	1,659	—	—	1,659
Healthcare Revenue from Contracts with Customers	6,989	2,333	—	—	9,322
Lease Income	151	—	62	—	213
Construction	—	—	4,973	—	4,973
Investments	—	—	—	2	2
Total Revenues	\$ 7,140	\$ 2,333	\$ 5,035	\$ 2	\$ 14,510

Timing of Revenue Recognition

Services and goods transferred over time	\$ 7,140	\$ 1,518	\$ 61	\$ —	\$ 8,719
Services and goods transferred at a point in time	—	815	4,974	2	5,791
Total Revenues	\$ 7,140	\$ 2,333	\$ 5,035	\$ 2	\$ 14,510

	Six Months Ended June 30, 2021			
	Diagnostic Services	Diagnostic Imaging	Construction	Total
Major Goods/Service Lines				
Mobile Imaging	\$ 21,867	\$ —	\$ —	\$ 21,867
Camera	—	2,886	—	2,886
Camera Support	—	3,309	—	3,309
Healthcare Revenue from Contracts with Customers	21,867	6,195	—	28,062
Lease Income	115	—	41	156
Construction	—	—	19,942	19,942
Total Revenues	<u>\$ 21,982</u>	<u>\$ 6,195</u>	<u>\$ 19,983</u>	<u>\$ 48,160</u>
Timing of Revenue Recognition				
Services and goods transferred over time	\$ 21,982	\$ 3,021	\$ 2,948	\$ 27,951
Services and goods transferred at a point in time	—	3,174	17,035	20,209
Total Revenues	<u>\$ 21,982</u>	<u>\$ 6,195</u>	<u>\$ 19,983</u>	<u>\$ 48,160</u>

	Six Months Ended June 30, 2020				
	Diagnostic Services	Diagnostic Imaging	Construction	Investments	Total
Major Goods/Service Lines					
Mobile Imaging	\$ 17,591	\$ —	\$ —	\$ —	\$ 17,591
Camera	—	2,013	—	—	2,013
Camera Support	—	3,181	—	—	3,181
Healthcare Revenue from Contracts with Customers	17,591	5,194	—	—	22,785
Lease Income	363	—	146	—	509
Construction	—	—	10,373	—	10,373
Investments	—	—	—	33	33
Total Revenues	<u>\$ 17,954</u>	<u>\$ 5,194</u>	<u>\$ 10,519</u>	<u>\$ 33</u>	<u>\$ 33,700</u>
Timing of Revenue Recognition					
Services and goods transferred over time	\$ 17,954	\$ 3,005	\$ 146	\$ —	\$ 21,105
Services and goods transferred at a point in time	—	2,189	10,373	33	12,595
Total Revenues	<u>\$ 17,954</u>	<u>\$ 5,194</u>	<u>\$ 10,519</u>	<u>\$ 33</u>	<u>\$ 33,700</u>

Nature of Goods and Services

Mobile Imaging

Within our Diagnostic Services segment, our sales are derived from providing services and materials to our customers, primarily physician practices and hospitals that allow them to perform diagnostic imaging services at their site. We typically bundle our services in providing staffing, our imaging systems, licensing, radiopharmaceuticals, and supplies depending on our customers' needs. Our contracts with customers are typically entered into annually and are billed on a fixed rate per-day or per-scan basis, depending on terms of the contract. For the majority of these contracts, we have the right to invoice the customer in an amount that directly corresponds with the value to the customer as we perform the services. We use the practical expedient to recognize revenue corresponding with amounts we have the right to invoice for services performed.

Camera

Within our Diagnostic Imaging segment, camera revenues are generated from the sale of internally developed solid-state gamma camera imaging systems and accessories. We recognize revenue upon transfer of control to the customer at a point-in-time, which is generally upon delivery and acceptance. We also provide installation services and training on cameras we sell, primarily in the United States. Installation and initial training is generally performed shortly after delivery. We recognizes revenues for installation and training over time as the customer receives and consumes benefits provided as we perform the installation services.

Our sale of imaging systems includes a one-year assurance-type warranty. The estimated costs associated with our standard warranties and field service actions continue to be recognized as expense when cameras are sold. Maintenance service contracts sold beyond the term of our standard warranties are accounted for as a service-type warranty and revenue is deferred and recognized ratably over the period of the warranty obligation.

Camera Support

Within our Diagnostic Imaging segment, camera support revenue is derived from the sale of separately-priced extended maintenance contracts to camera owners, training, and the sale of parts to customers that do not have an extended warranty. Our separately priced service contracts range from 12 to 48 months. Service contracts are usually billed at the beginning of the contract period or at periodic intervals (e.g., monthly, quarterly, or annually) and revenue is recognized ratably over the term of the agreement.

Services and training revenues are recognized in the period the services and training are performed. Revenue for sales of parts are recognized when the parts are delivered to the customer and control is transferred.

Lease Income

Within our Diagnostic Service segment, we also generate income from rentals of state-of-the-art equipment including cameras and ultrasound machines to customers. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental.

Construction

Within the Construction segment, we service residential and commercial construction projects by manufacturing modular housing units and other products and supply general contractors with building materials. KBS manufactures modular buildings for both single-family residential homes and larger, commercial building projects. EdgeBuilder manufactures structural wall panels, permanent wood foundation systems and other engineered wood products, and Glenbrook is a retail supplier of lumber and other building supplies. Revenues are evaluated on a contract by contract basis. In general, construction revenues are recognized upon transfer of control to the customer at a point-in-time, which is generally upon delivery and acceptance. However, construction revenues are recognized over time for arrangements with customers for which: (i) performance does not create an asset with an alternative use, and (ii) we have an enforceable right to payment for performance completed to date.

Deferred Revenues

We record deferred revenues when cash payments are received in advance of our performance. We have determined our contracts do not include a significant financing component. The majority of our deferred revenue relates to payments received on camera support post-warranty service contracts, which are billed at the beginning of the contract period or at periodic intervals (e.g., monthly, quarterly, or annually).

Changes in the deferred revenues for six months ended June 30, 2021, is as follows (in thousands):

Balance at December 31, 2020	\$	2,352
Revenue recognized that was included in balance at beginning of the year		(1,568)
Deferred revenue, net, related to contracts entered into during the year		2,860
Balance at June 30, 2021	\$	3,644

Included in the balances above as of June 30, 2021 and December 31, 2020 is non-current deferred revenue included in other liabilities of \$0.4 million and \$0.2 million, respectively.

We have elected to use the practical expedient under ASC 606 to exclude disclosures of unsatisfied remaining performance obligations for (i) contracts having an original expected length of one year or less or (ii) contracts for which the practical expedient has been applied to recognize revenue at the amount for which it has a right to invoice.

Contract Costs

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We apply a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. These costs mainly include our internal sales commissions; under the terms of these programs these are generally earned and the costs are recognized at the time the revenue is recognized.

Note 4. Basic and Diluted Net Income (Loss) Per Share

We present net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities, as the warrants are considered participating securities. We have not allocated net loss attributable to common stockholders to warrants because the holders of our warrants are not contractually obligated to share in our losses. Basic net loss per share attributable to common stockholders is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per share attributable to common stockholders is calculated to give effect to all potential shares of common stock, including common stock issuable upon exercise of warrants, stock options, and restricted stock units ("RSUs"). In periods for which there is a net loss, diluted loss per common share is equal to basic loss per common share, since the effect of including any common stock equivalents would be antidilutive.

The following table sets forth the reconciliation of shares used to compute basic and diluted net (loss) or income per share for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Loss from continuing operations, net of tax	\$ (1,791)	\$ (811)	\$ (2,379)	\$ (3,179)
(Loss) income from discontinued operations, net of tax	(65)	(476)	5,955	(1,061)
Net (loss) income	(1,856)	(1,287)	3,576	(4,240)
Deemed dividend on Series A perpetual preferred stock	(479)	(484)	(958)	(968)
Net (loss) income attributable to common shareholders	<u>\$ (2,335)</u>	<u>\$ (1,771)</u>	<u>\$ 2,618</u>	<u>\$ (5,208)</u>
Denominator:				
Weighted average shares outstanding - basic and diluted	<u>5,039</u>	<u>3,041</u>	<u>4,978</u>	<u>2,547</u>
Net loss per common share - basic and diluted				
Net loss per share, continuing operations	\$ (0.36)	\$ (0.27)	\$ (0.48)	\$ (1.25)
Net (loss) income per share, discontinued operations	\$ (0.01)	\$ (0.16)	\$ 1.20	\$ (0.42)
Net (loss) income per share	\$ (0.37)	\$ (0.42)	\$ 0.72	\$ (1.66)
Deemed dividend on Series A perpetual preferred stock per share	\$ (0.10)	\$ (0.16)	\$ (0.19)	\$ (0.38)
Net (loss) income per share, attributable to common shareholders - basic and diluted	<u>\$ (0.46)</u>	<u>\$ (0.58)</u>	<u>\$ 0.53</u>	<u>\$ (2.04)</u>

Antidilutive common stock equivalents are excluded from the computation of diluted loss per share. Stock options and restricted stock units are antidilutive when the assumed proceeds per share are greater than the average market price of the common shares. In addition, in periods where net losses are incurred, stock options and restricted stock units with assumed proceeds per share less than the average market price of the common shares become antidilutive as well. The computation of diluted earnings per share excludes stock options and stock units that are anti-dilutive. The following common stock equivalents were anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	20	51	22	53
Restricted stock units	75	30	74	34
Stock warrants	756	2,160	810	2,160
Total	<u>851</u>	<u>2,241</u>	<u>906</u>	<u>2,247</u>

As of June 30, 2021, 1.0 million warrants were exercised and 1.5 million warrants remained outstanding at an exercise price of \$2.25.

Note 5. Supplementary Balance Sheet Information

The components of inventories are as follows (in thousands):

	June 30, 2021	December 31, 2020
Raw materials	\$ 7,614	\$ 5,489
Work-in-process	2,612	2,821
Finished goods	2,102	1,876
Total inventories	12,328	10,186
Less reserve for excess and obsolete inventories	(308)	(399)
Total inventories, net	\$ 12,020	\$ 9,787

Property and equipment consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Land	\$ 805	\$ 805
Buildings and leasehold improvements	4,771	4,771
Machinery and equipment	28,782	29,375
Total property and equipment	34,358	34,951
Less accumulated depreciation	(25,136)	(25,189)
Total property and equipment, net	\$ 9,222	\$ 9,762

On June 9, 2021, we, through its subsidiary 947 Waterford Road, LLC, entered into a contract for the sale of commercial real estate agreement (the "Waterford Sale Agreement"), pursuant to which we will sell 947 Waterford Road, in the Town of Waterford, Oxford County, and State of Maine, together with any fixtures and other items of real property situated thereon to Barnum. The total consideration related to the Waterford Sale Agreement is \$1.2 million in cash, which will be paid at the closing. Expected closing date will be in the third quarter of 2021. Waterford property was classified as held-for-sale as of June 30, 2021, with a carry value of \$1.0 million, and included within property and equipment on the unaudited consolidated balance sheet. The Waterford Sale Agreement includes customary representations, warranties, covenants, and indemnification obligations of the parties.

Note 6. Leases**Lessee**

We have operating and finance leases for corporate offices, vehicles, and certain equipment. Our leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases and some of which include options to terminate the leases within 1 year. Operating leases are included separately in the unaudited condensed consolidated balance sheets and finance lease assets are included in property and equipment with the related liabilities included in other current liabilities and other liabilities in the unaudited consolidated balance sheets.

The components of lease expense are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 359	\$ 316	\$ 694	\$ 644
Finance lease cost:				
Amortization of finance lease assets	\$ 170	\$ 108	\$ 276	\$ 232
Interest on finance lease liabilities	23	22	44	46
Total finance lease cost	\$ 193	\$ 130	\$ 320	\$ 278

Supplemental cash flow information related to leases from continuing operations was as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 539	\$ 709
Operating cash flows from finance leases	\$ 44	\$ 46
Financing cash flows from finance leases	\$ 318	\$ 290
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 2,158	\$ 596

Supplemental balance sheet information related to leases was as follows (in thousands):

	June 30,	December 31,
	2021	2020
Operating lease right-of-use assets, net	\$ 3,147	\$ 1,769
Operating lease liabilities	\$ 1,044	\$ 1,011
Operating lease liabilities, net of current	2,155	828
Total operating lease liabilities	\$ 3,199	\$ 1,839
Finance lease assets	\$ 2,763	\$ 2,765
Finance lease accumulated amortization	(1,264)	(791)
Finance lease assets, net	\$ 1,499	\$ 1,974
Finance lease liabilities	\$ 598	\$ 594
Finance lease liabilities, net of current	749	937
Total finance lease liabilities	\$ 1,347	\$ 1,531
Weighted average remaining lease term (in years)		
Operating leases	3.6	2.3
Finance leases	2.6	2.8
Weighted average discount rate		
Operating leases	4.16 %	5.53 %
Finance leases	5.76 %	6.44 %

We are committed to making future cash payments on non-cancelable operating leases and finance leases (including interest). The future minimum lease payments due under both non-cancelable operating leases and finance leases having initial or remaining lease terms in excess of one year as of June 30, 2021 were as follows (in thousands):

	Operating Leases	Finance Leases
2021 (excludes the six-months ended June 30, 2021)	\$ 641	\$ 360
2022	941	562
2023	751	329
2024	641	174
2025 and thereafter	420	26
Total future minimum lease payments	3,394	1,451
Less amounts representing interest	195	104
Present value of lease obligations	\$ 3,199	\$ 1,347

Lessor

In the Healthcare division, we generate lease income in the Diagnostic Services segment, from equipment rentals to customers. Rental contracts are structured as either a weekly or monthly payment arrangement and are accounted for as operating leases. Revenues are recognized on a straight-line basis over the term of the rental. During the six months ended June 30, 2021 and 2020, our lease contracts are mainly month to month contracts.

Note 7. Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about our financial assets that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques we utilize to determine such fair value at June 30, 2021 and December 31, 2020 (in thousands):

	Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	\$ 93	\$ 36	\$ —	\$ 129
Lumber derivative contracts	66	—	—	66
Total	\$ 159	\$ 36	\$ —	\$ 195

	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	\$ 35	\$ 55	\$ —	\$ 90
Total	\$ 35	\$ 55	\$ —	\$ 90

The investment in equity securities consists of common stock of publicly traded companies. The fair value of these securities is based on the closing prices observed on June 30, 2021 and December 31, 2020, respectively. During the six months ended June 30, 2021 and 2020, we recorded net unrealized loss and gain of \$0.3 million and \$20 thousand, respectively, in the cost of goods sold and other income (expenses), respectively of condensed unaudited consolidated statement of operations.

We occasionally enters into lumber derivative contracts in order to protect its gross profit margins from fluctuations caused by volatility in lumber prices. At December 31, 2020, we had no lumber derivative contracts. At June 30, 2021, we had a net long (buying) position of 1,540,000 board feet pursuant to fourteen lumber derivatives contracts.

The derivative contracts are included in other assets on our consolidated balance sheet. We did not reclassify any investments between levels in the fair value hierarchy during the three and six months ended June 30, 2021. The fair values of our revolving credit facility approximate carrying value due to the variable rate nature of these borrowings.

Note 8. Debt

A summary of debt as of June 30, 2021 and December 31, 2020 are as follows (dollars in thousands):

	June 30, 2021		December 31, 2020	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Revolving Credit Facility - Gerber KBS	\$ 2,181	6.00%	\$ 1,099	6.00%
Revolving Credit Facility - Gerber EBGL	2,493	6.00%	2,016	6.00%
Revolving Credit Facility - SNB	7,241	2.60%	12,710	2.64%
Total Short-term Revolving Credit Facility	\$ 11,915	3.93%	\$ 15,825	3.30%
Gerber - Star Term Loan	\$ 1,198	6.25%	\$ 262	6.75%
Premier - Term Loan	—	—%	419	5.75%
Total Short Term Debt	\$ 1,198	6.25%	\$ 681	6.13%
Short-term Paycheck Protection Program Notes	\$ —	—%	\$ 1,856	1.00%
Short-term debt and current portion of long-term debt	\$ 13,113	4.15%	\$ 18,362	3.17%
Gerber - Star Term Loan	\$ —	—%	\$ 1,058	6.75%
Premier - Term Loan	—	—%	321	5.75%
Total Long Term Debt	\$ —	—%	\$ 1,379	6.52%
Long-term Paycheck Protection Program Notes	\$ —	—%	\$ 2,321	1.00%
Long-term debt, net of current portion	\$ —	—%	\$ 3,700	3.06%
LSV Co-Invest I Promissory Note (“January Note”)	\$ —	—%	\$ 709	12.00%
LSV Co-Invest I Promissory Note (“June Note”)	—	—%	1,220	12.00%
LSVM Note	—	—%	378	12.00%
Total Notes Payable To Related Parties ⁽¹⁾	\$ —	—%	\$ 2,307	12.00%
Total Debt	\$ 13,113	4.15%	\$ 24,369	3.99%

(1) See Note 12. *Related Party Transactions*, for information regarding certain ATRM promissory notes that are outstanding.

Term Loan Facilities

As of June 30, 2021, the short-term debt includes \$1.2 million of the Gerber Star term loan, net of issuance costs.

The following table presents the Star term loan balance net of unamortized debt issuance costs as of June 30, 2021 (in thousands):

	June 30, 2021	
	Amount	
Gerber - Star Term Loan Principal	\$	1,435
Unamortized debt issuance costs		(237)
Total	\$	1,198

Sterling Credit Facility

On March 29, 2019, the Company entered into a Loan and Security Agreement (the “SNB Loan Agreement”) by and among certain subsidiaries of the Company, as borrowers (collectively, the “SNB Borrowers”); the Company, as guarantor; and Sterling National Bank, a national banking association, as lender (“Sterling” or “SNB”).

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of \$20.0 million for revolving loans (the “SNB Credit Facility”). Under the SNB Credit Facility, the SNB Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed \$0.5 million at any one time outstanding. The borrowings under the SNB Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts within the lockbox are swept daily to reduce borrowings outstanding. As of June 30, 2021, the Company had \$0.2 million of letters of credit outstanding and had additional borrowing capacity of \$2.5 million.

At the Borrowers’ option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum. As our largest single debt outstanding, our floating rate on this facility at June 30, 2021 was 2.60%.

The SNB Loan Agreement includes certain representations, warranties of SNB Borrowers, as well as events of default and certain affirmative and negative covenants by the SNB Borrowers that are customary for loan agreements of this type. These covenants include restrictions on borrowings, investments and dispositions by SNB Borrowers, as well as limitations on the SNB Borrowers’ ability to make certain distributions. Upon the occurrence and during the continuation of an event of default under the SNB Loan Agreement, SNB may, among other things, declare the loans and all other obligations under the SNB Loan Agreement immediately due and payable and increase the interest rate at which loans and obligations under the SNB Loan Agreement bear interest. The SNB Credit Facility is secured by a first-priority security interest in substantially all of the assets of the Company and the SNB Borrowers and a pledge of all shares of the SNB Borrowers.

On March 29, 2019, in connection with the Company’s entry into the SNB Loan Agreement, Jeffery E. Eberwein, the Executive Chairman of the Company’s board of directors, entered into Limited Guaranty Agreement (the “SNB Eberwein Guaranty”) with SNB pursuant to which he guaranteed the prompt performance of all the Borrowers’ obligations under the SNB Loan Agreement. The SNB Eberwein Guaranty is limited in the aggregate to the amount of (a) \$1.5 million, plus (b) reasonable costs and expenses of SNB incurred in connection with the SNB Eberwein Guaranty. Mr. Eberwein’s obligations under the SNB Eberwein Guaranty terminate upon the Company and Borrowers achieving certain milestones set forth therein.

On February 1, 2021, in connection with the closing of the Company’s sale of MD Office Solutions, the Company entered into a First Amendment to the SNB Loan Agreement pursuant to which, among other things, Sterling consented to the sale of MD Office Solutions and the Company’s name change from Digirad Corporation to Star Equity Holdings, Inc.

On March 31, 2021, in connection with completing the sale of DMS Health, the Company, certain subsidiaries of the Company, and Sterling entered into a Second Amendment to the SNB Loan Agreement pursuant to which, among other things, Sterling consented to the sale of DMS Health and its subsidiaries, removed DMS Health and its subsidiaries as borrowers under the SNB Loan Agreement, and required the principle to be paid down to \$7.0 million.

At June 30, 2021, the Company was in compliance with the covenants under the SNB Loan Agreement.

Construction Loan Agreements

As of June 30, 2021, the Construction division had outstanding revolving lines of credit and term loans of approximately \$4.7 million. This debt includes: (i) \$2.2 million principal outstanding on KBS's \$4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the "KBS Loan Agreement"), with Gerber and (ii) \$2.5 million principal outstanding on EBGL's \$3.0 million revolving credit facility under a Revolving Credit Loan Agreement, which was increased from \$3.0 million to \$4.0 million on July 30, 2021. The Construction division was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on June 30, 2021 which fluctuates weekly.

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a former subsidiary of ATRM) entered into a Loan and Security Agreement, (as amended, the "KBS Loan Agreement"), with Gerber. The KBS Loan Agreement provides KBS with a revolving line of credit with borrowing availability of up to \$4.0 million. Availability under the line of credit is based on a formula tied to KBS's eligible accounts receivable, inventory and other collateral. The KBS Loan Agreement, which was scheduled to expire on February 22, 2018, has been automatically extended for successive one (1) year periods in accordance with its terms and is now scheduled to expire on February 22, 2022. The KBS Loan Agreement will be automatically extended for another one (1) year period unless a party thereto provides prior written notice of termination. As of June 30, 2021 neither party has provided notice of termination. Upon the final expiration of the term of the KBS Loan Agreement, the outstanding principal balance is payable in full. Borrowings bear interest at the prime rate plus 2.75%, equating to 6.00% at June 30, 2021, with interest payable monthly. The KBS Loan Agreement also provides for certain fees payable to Gerber during its term, including a 1.5% annual facilities fee and a 0.10% monthly collateral monitoring fee. KBS's obligations under the KBS Loan Agreement are secured by all of its assets and are guaranteed by ATRM. Unsecured promissory notes issued by KBS and ATRM are subordinate to KBS's obligations under the KBS Loan Agreement. The KBS Loan Agreement contains representations, warranties, affirmative and negative covenants, defined events of default and other provisions customary for financings of this type. Financial covenants require that KBS maintain a maximum leverage ratio (as defined in the KBS Loan Agreement) and KBS not incur a net annual post-tax loss in any fiscal year during the term of the KBS Loan Agreement. The borrowings under the KBS Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby certain receipts are swept daily to reduce borrowings outstanding. At June 30, 2021, approximately \$2.2 million was outstanding under the KBS Loan Agreement.

On September 10, 2019, the parties to the KBS Loan Agreement entered into the twelfth amendment to the KBS Loan Agreement (the "Twelfth KBS Amendment"), pursuant to which the Company agreed to guarantee amounts borrowed by certain ATRM's subsidiaries from Gerber.

On January 31, 2020, the Company, ATRM, KBS and Gerber entered into a thirteenth amendment to the KBS Loan Agreement (the "Thirteenth KBS Amendment") to amend the terms of the KBS Loan Agreement, in order to, among other things (a) amend the definitions of "Ancillary Credit Parties," "Guarantor," "Obligations," and "Subordinated Lender" to address the obligations of the Star Borrowers, the EBGL Borrowers, the Star Credit Parties, and the EBGL Credit Parties under the Star Loan Agreement, EBGL Loan Agreement and the Subordination Agreements (each as defined below) to which they are a party and (b) add a new cross default provision.

On March 5, 2020, in connection with the First EBGL Amendment, Gerber, KBS, ATRM and the Company entered into a fourteenth amendment to the KBS Loan Agreement in order to, among other things consent to the First EBGL Amendment and remove cash and cash collateral from the borrowing base.

On April 1, 2020, Gerber and KBS entered into a fifteenth amendment to the KBS Loan Agreement pursuant to which the "Minimum Average Monthly Loan Amount" was decreased to twenty-five percent (25%) of the Maximum Revolving Amount.

On January 5, 2021, Gerber and KBS entered into a sixteenth amendment to the KBS Loan Agreement in order to, among other things, amend certain definitions under the KBS Loan Agreement and to increase the inventory assets against which funds can be borrowed.

On February 26, 2021 Gerber and KBS entered into a seventeenth amendment to the KBS Loan Agreement in order to provide the waiver to the 2020 covenant breach and amended the financial covenants. The financial covenants under the KBS Loan Agreement, as amended, provide that (i) KBS shall make no distribution, transfer, payment, advance, or contribution of cash or property which would constitute a restricted payment as such term is defined in the agreement; (ii) KBS shall report annual post-tax net income at least equal to (a) \$385 thousand for the trailing 6-month period ending June 30, 2021 and (b) \$500 thousand for the trailing fiscal year end December 31, 2021; and (iii) a minimum EBITDA at June 30, 2021 of more than \$880 thousand or at December 31, 2021 of more than \$1.5 million.

On March 31, 2021, the parties to the KBS Loan Agreement amended the KBS Loan Agreement to provide for increased availability under the KBS Loan Agreement to KBS under certain circumstances, including for new equipment additions, and certain other changes, as well as a waiver of certain covenants.

As of June 30, 2021 and December 31, 2020, KBS was not in compliance with the financial covenants requiring no net annual post-tax income for KBS of at least \$385 thousand and EBITDA to equal at least \$880 thousand, during the six months ended June 30, 2021. The occurrence of any event of default under the KBS Loan Agreement may result in KBS's obligations under the KBS Loan Agreement becoming immediately due and payable. Subsequently, we obtained a waiver from Gerber for these events.

On July 30, 2021 in connection with the Fourth EBGL Amendment, Gerber, KBS, ATRM and the Company entered into an eighteenth amendment to the KBS Loan Agreement in order to, among other things, (a) confirm the cancellation of certain subordination agreements with Lone Star Value Management, LLC ("LSVM") and Lone Star Value Co-Invest I, LP ("LSV Co-Invest I"), after the LSVM Note and LSV Co-Invest June Note and January Note were paid by the Company, (b) amend the terms of the KBS Loan Agreement, including the definitions of "Ancillary and "Subordinated Lender" to include SRE and remove LSVM and LSV Co-Invest I, and (c) add confirm certain cross-default provisions.

EBGL Premier Note

On June 30, 2017, EdgeBuilder and Glenbrook (together, EBGL) entered into a Revolving Credit Loan Agreement (as amended, the "Premier Loan Agreement") with Premier providing EBGL with a working capital line of credit of up to \$3.0 million. The Premier Loan Agreement replaced the prior revolving credit facility.

Availability under the Premier Loan Agreement is based on a formula tied to EBGL's eligible accounts receivable, inventory and equipment, and borrowings bear interest at the prime rate plus 1.50%, with interest payable monthly and the outstanding principal balance payable upon expiration of the term of the Premier Loan Agreement. The Premier Loan Agreement also provides for certain fees payable to Premier during its term. The initial term of the Premier Loan Agreement was scheduled to expire on June 30, 2018, but was extended multiple times by Premier until January 31, 2023. EBGL's obligations under the Premier Loan Agreement are secured by all of their inventory, equipment, accounts and other intangibles, fixtures and all proceeds of the foregoing.

On January 31, 2020, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the "Modification Agreement") with Premier that modified the terms of the Revolving Credit Promissory Note made by Glenbrook and EdgeBuilder. The Modification Agreement reduced the outstanding borrowings to \$1.0 million, extended the final maturity date to January 31, 2023, and set the interest rate to at 5.75% per annum. Mr. Eberwein executed a guaranty in favor of Premier, which had been extended through January 1, 2023, under which ATRM and Mr. Eberwein absolutely and unconditionally guaranteed all of EBGL's obligations under the Premier Loan Agreement.

As of June 30, 2021, all obligations under the Premier Loan Agreement have been repaid in full and no amount remains outstanding. In exchange Premier terminated all of its security interests in the assets of EBGL.

Gerber Star and EBGL Loans

On January 31, 2020, SRE, 947 Waterford Road, LLC ("947 Waterford"), 300 Park Street, LLC ("300 Park"), and 56 Mechanic Falls Road, LLC ("56 Mechanic" and together with SRE, 947 Waterford, and 300 Park, (the "Star Borrowers"), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder, and Glenbrook (collectively, the "Star Credit Parties"), entered into a Loan and Security Agreement (as amended, the "Star Loan Agreement") with Gerber providing the Star Borrowers with a credit facility with borrowing availability of up to \$2.5 million (\$2.0 million and \$0.5 million to KBS and EBGL, respectively) (the "Star Loan"). The advance of \$2.0 million to KBS is to be repaid in monthly installments of sixty (60) consecutive equal payments. The advance of \$0.5 million to EBGL, which has been temporarily increased by \$0.3 million due to be repaid on April 30, 2020, is to be repaid in monthly installments of twelve (12) consecutive equal payments. On February 20, 2020, the Star Borrowers entered into a first amendment to the Star Loan Agreement (the "First Star Amendment") in order to (i) temporarily advance \$0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan. On April 30, 2020, the Star Borrowers entered into a second amendment to the Star Loan Agreement (the "Second Star Amendment") to change terms of repayment for the advance of \$0.3 million to EBGL to provide for repayment in three consecutive equal monthly installments, commencing on May 30, 2020, with a final installment on or before July 31, 2020. EBGL paid off approximately \$0.5 million of the advance in 2020 and \$1.2 million was outstanding, net with deferred financing costs, under the Star Loan Agreement as of June 30, 2021.

On January 31, 2020, EdgeBuilder and Glenbrook (the “EBGL Borrowers”), each a Construction subsidiary, and the Company, Star, 947 Waterford, 300 Park, 56 Mechanic, ATRM, and KBS (collectively, the “EBGL Credit Parties”), entered into a Loan and Security Agreement (the “EBGL Loan Agreement”) with Gerber providing the EBGL Borrowers with a credit facility with borrowing availability of up to \$3.0 million (the “EBGL Loan”). On March 5, 2020, the EBGL Borrowers entered into a first amendment to the EBGL Loan Agreement (the “First EBGL Amendment”) with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement to include a pledge \$0.3 million of cash collateral by LSVI under the EBGL Loan Agreement which, prior to the First EBGL Amendment, was pledged by LSVI in connection with the KBS Loan Agreement. On July 1, 2020, the EBGL Borrowers entered into a second amendment to the EBGL Loan Agreement to terminate the pledge of \$0.3 million in cash collateral. On February 26, 2021, the EBGL Borrowers entered into a third amendment to the EBGL Loan Agreement (the “Third EBGL Amendment”) pursuant to which the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis. The Third EBGL Amendment also discharged the EBGL Eberwein Guaranty described below. As of June 30, 2021, approximately \$2.5 million was outstanding under the EBGL Loan Agreement.

Availability under the Star Loan Agreement is based on a formula tied to the value of real estate owned by the Star Borrowers, and borrowings bear interest at the prime rate plus 3.5% per annum. Availability under the EBGL Loan Agreement is based on a formula tied to the EBGL Borrowers’ eligible accounts receivable and inventory, and borrowings bear interest at the prime rate plus 2.75% per annum. The Loan Agreements also provide for certain fees payable to Gerber during their respective terms. The Star Loan matures on the earlier of (a) January 1, 2025 or (b) the termination, the maturity or repayment of the EBGL Loan. The EBGL Loan matures on the earlier of (a) January 1, 2022, unless extended, or (b) the termination, the maturity or repayment of the Star Loan. The maturity of the EBGL Loan is automatically extended for successive periods of one (1) year each unless terminated by Gerber or the EBGL Borrowers. The borrowings under the EBGL Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding.

The obligations of the EBGL Borrowers under the EBGL Loan Agreement are guaranteed by the EBGL Credit Parties and are secured by substantially all the assets of the EBGL Borrowers and the EBGL Credit Parties. The obligations of the Star Borrowers under the Star Loan Agreement are guaranteed by the Star Credit Parties and are secured by substantially all the assets of the Star Borrowers and the Star Credit Parties. Contemporaneously with the execution and delivery of the Star Loan Agreement, Jeffrey E. Eberwein, the Executive Chairman of the Company’s board of directors, executed and delivered a Guaranty (the “Gerber Eberwein Guaranty”) to Gerber pursuant to which he guaranteed the performance of all the Star Borrowers’ obligations to Gerber under the Star Loan Agreement, including the full payment of all indebtedness owing by the Star Borrowers to Gerber under or in connection with the Star Loan Agreement and related financing documents. Mr. Eberwein’s obligations under the Gerber Eberwein Guaranty are limited in the aggregate to the amount of (a) \$2.5 million, plus (b) costs of Gerber incidental to the enforcement of the Gerber Eberwein Guaranty or any guaranteed obligations. On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Executive Chairman of the Company’s board of directors, executed and delivered a Guaranty (the “EBGL Eberwein Guaranty”) to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers’ obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein’s obligations under the EBGL Eberwein Guaranty are limited in the aggregate to the amount of (a) \$0.5 million, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations.

On February 26, 2021, the Star Borrowers entered into a third amendment to the Star Loan Agreement (the “Third Star Amendment”) with Gerber that, among other things, amended the contract rate to prime rate plus 3% and discharged the \$2.5 million Gerber Eberwein Guaranty.

On July 30, 2021, the Star Borrowers entered into a fourth amendment to the Star Loan Agreement (the “Fourth Star Amendment”) with Gerber that, among other things, amended the terms of the Star Loan Agreement, in order to, among other things to increase the eligible inventory against which Gerber will advance credit, to increase the line of credit from \$3.0 million to \$4.0 million, with a new promissory note between Gerber and EBGL, and amend the definition of “Subordinated Lender” to include only Star Procurement, Inc., ATRM, and the Company.

The Star Loan Agreement and EBGL Loan Agreement contain representations, warranties, affirmative and negative covenants, events of default and other provisions customary for financings of this type. The financial covenants under the EBGL Loan Agreement applicable to the EBGL Borrowers include maintenance of a minimum tangible net worth, a minimum debt service coverage ratio and minimum net income. The Financial covenants under the Star Loan Agreement applicable to the Star Borrowers include a minimum debt service coverage ratio. The occurrence of any event of default under the Loan Agreements may result in the obligations of the Borrowers becoming immediately due and payable. As of June 30, 2021, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement. The occurrence of any event of default under the EBGL Loan Agreement may result in EBGL's obligations under the EBGL Loan Agreement becoming immediately due and payable. In July, 2021, we obtained a waiver from Gerber for these events and, as part of the Fourth EBGL Amendment (described above).

As a condition to the extension of credit to the Star Borrowers and EBGL Borrowers under the Star Loan Agreement and EBGL Loan Agreement, the holders of certain existing unsecured promissory notes made by ATRM and certain of its subsidiaries entered into subordination agreements (the "Subordination Agreements") with Gerber pursuant to which such noteholders (including the Company and certain of its subsidiaries) agreed to subordinate the obligations of ATRM and its subsidiaries to such noteholders to the obligations of the Star Borrowers and EBGL Borrowers to Gerber under the loan agreements.

Paycheck Protection Program

From April 2020 through May 2020, the Company and its subsidiaries received \$6.7 million, of loans under the Paycheck Protection Program ("PPP"). Total PPP loans received the Healthcare division and Construction division were \$5.5 million and \$1.2 million, respectively.

The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). PPP loans for the Construction and Healthcare division were made through Bremer Bank and Sterling as lenders, respectively.

The PPP loans have two-year terms and bear interest at a rate of 1.00% per annum. Monthly principal and interest payments under the PPP loans are forgiven for ten months, after the end of covered periods. The PPP loans may be prepaid at any time prior to maturity with no prepayment penalties.

The promissory notes issued in connection with the PPP loans (the "PPP Notes") contain customary events of default relating to, among other things, payment defaults, making materially false and misleading representations to the SBA or lender, or breaching the terms of the applicable PPP loan documents. Upon an event of default under a PPP Note, the lender thereunder may, among other things, require immediate payment of all amounts owing under the applicable PPP Note, collect all amounts owing from the applicable borrower, or file suit and obtain judgment.

Under the terms of the CARES Act, recipients of loans under the PPP can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. Even if forgiveness is granted the PPP loans may remain subject to review and audit for up to six (6) years.

During Q4 2020 and January 2021, the Company applied for forgiveness on all PPP loans. As of Q4 2020, \$2.5 million of the Healthcare division PPP Notes were forgiven. During Q2, 2021, all amounts under the Construction division and Healthcare division PPP Notes were forgiven. As of June 30, 2021, the Company has no PPP loans outstanding.

Note 9. Commitments and Contingencies

In the normal course of business, we have been, and will likely continue to be, subject to other litigation or administrative proceedings incidental to our business, such as claims related to customer disputes, employment practices, wage and hour disputes, product liability, professional liability, commercial disputes, licensure restrictions or denials, and warranty or patent infringement. Responding to litigation or administrative proceedings, regardless of whether they have merit, can be expensive and disruptive to normal business operations. We are not able to predict the timing or outcome of these matters and do not expect that the resolution of these matters will have a material adverse effect on our financial position or results of operations.

Note 10. Income Taxes

We provide for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the tax basis of assets or liabilities and their carrying amounts in the financial statements. We provide a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before we are able to realize their benefit. We calculate the valuation allowance in accordance with the authoritative guidance relating to income taxes, which requires an assessment of both positive and negative evidence regarding the realizability of these deferred tax assets, when measuring the need for a valuation allowance. Significant judgment is required in determining any valuation allowance against deferred tax assets. We continue to record a full valuation allowance against our deferred tax assets and intend to maintain a valuation allowance until sufficient positive evidence exists to support its reversal.

Intraperiod tax allocation rules require us to allocate our provision for income taxes between continuing operations and other categories of comprehensive income, such as discontinued operations.

For the three months ended June 30, 2021, we recorded an income tax expense of \$32 thousand within continuing operations and zero income tax expense within discontinued operations. For the three months ended June 30, 2020, we recorded an income tax expense of \$34 thousand within continuing operations and an income tax expense of \$17 thousand within discontinued operations.

For the six months ended June 30, 2021, we recorded an income tax expense of \$34 thousand within continuing operations and an income tax expense of \$72 thousand within discontinued operations. For the six months ended June 30, 2020, we recorded an income tax expense of \$61 thousand within continuing operations and an income tax expense of \$23 thousand within discontinued operations.

As of June 30, 2021, we had unrecognized tax benefits of approximately \$2.6 million related to uncertain tax positions. Included in the unrecognized tax benefits were \$2.1 million of tax benefits that, if recognized, would reduce our annual effective tax rate, subject to the valuation allowance.

We file income tax returns in the U.S. and in various state jurisdictions with varying statutes of limitations. We are no longer subject to income tax examination by tax authorities for years prior to 2016; however, our net operating loss carryforwards and research credit carryforwards arising prior to that year are subject to adjustment. Our policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). There were several income tax provisions included in the CARES Act, as well as other non-tax matters incorporated into law as a result of the enactment of the CARES Act.

Under the CARES Act, net operating losses generated in tax years 2018, 2019, and 2020 can be carried back five years, allowing corporate taxpayers to amend earlier tax returns and potentially obtain a tax refund. In addition, losses generated and utilized prior to January 1, 2021 are not subject to the 80 percent limitation that was previously applied to losses generated after December 31, 2017 under the Tax Cuts and Jobs Act of 2017. We don't currently estimate that any tax will be recoverable from these tax provisions and therefore does not anticipate there to be a material impact from these provisions on our income tax balances in its current year financial statements.

The Tax Cuts and Jobs Act of 2017 limited interest deductions to 30% of adjusted taxable income (ATI). The CARES Act increases the limitation to 50 percent of adjusted taxable income for tax years 2019 or 2020, thereby raising the limitation ceiling and potentially allowing for increased interest deductions. In addition, companies have the option of using 2019 ATI to compute the limitation for 2020. We tentatively plans to take advantage of certain of these provisions to eliminate any potential section 163(j) interest carryovers from its inventory of deferred tax assets for the year ending December 31, 2020.

The CARES Act adopts a technical correction to the Tax Cuts and Jobs Act's apparent oversight in excluding the eligibility of qualified improvement property (e.g., real estate/leasehold improvements) from eligibility for bonus depreciation for tax years after 2017. Companies are allowed to amend 2018 income tax or file accounting method changes in 2019 to claim the additional deductions. We are still evaluating the impact of this provision; however, we do not anticipate that this provision will have any impact on our tax expense or payable balances. If pursued, this provision may have an impact on our allocation of its deferred tax assets related to property, plant, and equipment and net operating losses, which are substantially offset by the full valuation allowance.

Certain other provisions of the CARES Act, such as the ability to obtain a refund of alternative minimum taxes ("AMT") previously paid to the IRS and the increased ability to deduct charitable contributions by corporations are not expected to be applicable to us. Overall, we do not expect the income tax provisions of the CARES Act to have a material impact to our financial statements.

On December 21, 2020, Congress passed the \$2.3 trillion Consolidated Appropriations Act, 2021, H.R. 133 (the “Act”), which combined the \$1.4 trillion omnibus spending bill for the 2021 federal fiscal year with the \$900 billion stimulus relief package aimed to respond to the economic fallout caused by the COVID-19 pandemic. On December 27, 2020, the United States enacted the Consolidated Appropriations Act of 2021 (CAA). The CAA includes provisions extending certain CARES Act provisions and adds coronavirus relief tax and health extenders. We will continue to evaluate the impact of the CAA and its impact on our financial statements in 2021 and beyond.

Note 11. Segments

Our business is organized into four reportable segments:

1. Diagnostic Services
2. Diagnostic Imaging
3. Construction
4. Investments

Effective January 1, 2020, we revised the allocation methodology used to allocate corporate costs to each of the operating segments. "Loss (income) by operating segment" for the historical period has been recast to conform to our current allocation methodology. Segment information is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue by segment:				
Diagnostic Services	\$ 11,743	\$ 7,140	\$ 21,982	\$ 17,954
Diagnostic Imaging	3,127	2,333	6,195	5,194
Construction	10,936	5,035	19,983	10,519
Investments	—	2	—	33
Consolidated revenue	<u>\$ 25,806</u>	<u>\$ 14,510</u>	<u>\$ 48,160</u>	<u>\$ 33,700</u>
Gross profit (loss) by segment:				
Diagnostic Services	\$ 2,393	\$ 953	\$ 4,000	\$ 2,958
Diagnostic Imaging	1,016	1,232	2,007	2,101
Construction	(1,844)	1,053	(1,300)	1,456
Investments	(61)	(64)	(126)	(98)
Consolidated gross profit	<u>\$ 1,504</u>	<u>\$ 3,174</u>	<u>\$ 4,581</u>	<u>\$ 6,417</u>
Income (loss) from operations by segment:				
Diagnostic Services	\$ 778	\$ (128)	\$ 1,636	\$ (69)
Diagnostic Imaging	57	96	36	(171)
Construction	(3,838)	(398)	(5,385)	(1,698)
Investments	79	(146)	155	(200)
Unallocated corporate and other expenses	(1,586)	(479)	(2,520)	(1,113)
Segment loss from operations	<u>\$ (4,510)</u>	<u>\$ (1,055)</u>	<u>\$ (6,078)</u>	<u>\$ (3,251)</u>
Depreciation and amortization by segment:				
Diagnostic Services	\$ 269	\$ 307	\$ 559	\$ 637
Diagnostic Imaging	51	66	118	129
Construction	481	571	961	1,143
Investments	61	66	126	131
Total depreciation and amortization	<u>\$ 862</u>	<u>\$ 1,010</u>	<u>\$ 1,764</u>	<u>\$ 2,040</u>

Note 12. Related Party Transactions

Eberwein Guarantees

SNB

On March 29, 2019, in connection with the Company's entry into the SNB Loan Agreement, Mr. Eberwein, the Executive Chairman of the Company's board of directors, entered into the Limited Guaranty Agreement (the SNB Eberwein Guaranty) with SNB pursuant to which he guaranteed to SNB the prompt performance of all the Borrowers' obligations to SNB under the SNB Loan Agreement, including the full payment of all indebtedness owing by Borrowers to SNB under or in connection with the SNB Loan Agreement and related SNB Credit Facility documents. Mr. Eberwein's obligations under the SNB Eberwein Guaranty are limited in the aggregate to the amount of (a) \$1.5 million, plus (b) reasonable costs and expenses of SNB incurred in connection with the SNB Eberwein Guaranty. Mr. Eberwein's obligations under the SNB Eberwein Guaranty terminate upon the Company and SNB Borrowers achieving certain milestones set forth therein.

Gerber

On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Executive Chairman of the Company's board of directors, executed and delivered a Guaranty (the EBGL Eberwein Guaranty) to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers' obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein's obligations under the EBGL Eberwein Guaranty were limited in the aggregate to the amount of (a) \$0.5 million, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations.

On February 26, 2021, the Third EBGL Amendment discharged the EBGL Eberwein Guaranty and removed Mr. Eberwein as an ancillary guarantor from the EBGL Loan Agreement. On February 26, 2021, the Third Star Amendment discharged the \$2.5 million Gerber Eberwein Guaranty.

Premier

As a condition to the Premier Loan Agreement, Mr. Eberwein entered into a guaranty in favor of Premier, absolutely and unconditionally guaranteeing all of the borrowers' obligations thereunder. As of June 30, 2021, all obligations under the Premier Loan Agreement have been repaid in full and no amount remains outstanding.

Premier Participation

Pursuant to a certain Participation Agreement by and between Mr. Eberwein and Premier, which was signed on March 31, 2020 and was effective as of March 26, 2020, Mr. Eberwein purchased a ratable participation in, and assumed a ratable part of, the aggregate maximum principal amount of the outstanding balance of the loan under the Premier Loan Agreement in the amount of \$0.3 million. This participation amount has been repaid.

ATRM

Jeffrey E. Eberwein, the Executive Chairman of our board of directors is also the Chief Executive Officer of Lone Star Value Management, LLC ("LSVM"), which is the investment manager of Lone Star Value Investors, LP ("LSVI") and Lone Star Value Co-Invest I, LP ("LSV Co-Invest I"). Mr. Eberwein is also the sole manager of Lone Star Value Investors GP, LLC ("LSV GP"), the general partner of LSVI and LSV Co-Invest I, and is the sole owner of LSV Co-Invest I. LSVM was a wholly owned subsidiary of ATRM on the ATRM Acquisition Date (see Acquisition of LSVM below). Prior to the closing of the ATRM Merger, Mr. Eberwein was also Chairman of the board of directors of ATRM. On October 25, 2019, ATRM distributed its interest in LSVM to Star Equity, resulting in LSVM becoming a wholly owned direct subsidiary of Star Equity.

Prior to the closing of the ATRM Merger, Mr. Eberwein and his affiliates owned approximately 4.3% of the outstanding Company common stock and 17.4% of the outstanding ATRM common stock. In addition, LSVI owned 222,577 shares of ATRM's 10.0% Series B Cumulative Preferred Stock (the "ATRM Preferred Stock") and another 374,562 shares of ATRM Preferred Stock were owned directly by LSV Co-Invest I. Through these relationships and other relationships with affiliated entities, Mr. Eberwein may be deemed the beneficial owner of the securities owned by LSVI and LSV Co-Invest I. Mr. Eberwein disclaimed beneficial ownership of ATRM Preferred Stock, except to the extent of his pecuniary interest therein. At the effective time of the ATRM Merger, (i) each share of ATRM common stock converted into the right to receive three one-hundredths (0.03) of a share of Company Preferred Stock and (ii) each share of ATRM Preferred Stock converted into the right to receive two and one-half (2.5) shares of Company Preferred Stock.

As of June 30, 2021, Mr. Eberwein owned approximately 3.5% of the outstanding Star Equity common stock. In addition, as of June 30, 2021, Mr. Eberwein owned 1,310,036 shares of Company Preferred Stock. Mr. Eberwein as the CEO of LSVM, which is the investment advisor of LSVI, and as the sole manager of LSV GP, which is the general partner of LSVI. Mr. Eberwein may be deemed the beneficial owner of the securities held by LSVI. Mr. Eberwein disclaims beneficial ownership of Company Preferred Stock, except to the extent of his pecuniary interest therein.

On July 10, 2020, Star Equity authorized LSVI to initiate a pro-rata distribution to its partners of an aggregate of 300,000 shares of Company Preferred Stock at \$10 per share, which was finalized by the Company's transfer agent on July 22, 2020 (the Distribution), which includes 114,624 shares of Company Preferred Stock consisting of (i) 113,780 shares of Company Preferred Stock received by the Jeffrey E. Eberwein Revocable Trust (the "Eberwein Trust") as a result of the Distribution and (ii) 844 shares of Company Preferred Stock acquired by the Eberwein Trust as a result of shares of Company Preferred Stock distributable to LSV GP in the Distribution being transferred directly to the Eberwein Trust contemporaneously with the Distribution. At the time of the Distribution, the Eberwein Trust was a limited partner of LSVI and LSV GP was the general partner of LSVI. Mr. Eberwein, as the trustee of the Eberwein Trust, may be deemed to beneficially own the securities held in the Eberwein Trust. Mr. Eberwein expressly disclaims beneficial ownership of such securities held in the Eberwein Trust except to the extent of his pecuniary interest therein. Mr. Eberwein, by virtue of his position as the manager and sole beneficial owner of LSV GP, the general partner of LSVI, may be deemed to beneficially own the securities owned by LSVI and LSV GP. Mr. Eberwein expressly disclaims beneficial ownership of such securities owned by LSVI and the securities owned by LSV GP, except to the extent of his pecuniary interest therein.

Private Placement

Immediately prior to the closing of the ATRM Merger, the Company issued 300,000 shares of Company Preferred Stock in a private placement (the "Private Placement") to LSVI for a price of \$10.00 per share for total proceeds to the Company of \$3.0 million.

At the closing of the Private Placement, the Company and LSVI entered into a Registration Rights Agreement.

On September 17, 2020, in connection with satisfying the Company's obligations under the Registration Rights Agreement, the Company filed a registration statement 1,492,321 shares of Company Preferred Stock.

Put Option Agreement

In addition, prior to the effective time of the ATRM Merger, the Company entered into a put option purchase agreement with Mr. Eberwein, pursuant to which the Company has the right to require Mr. Eberwein to acquire up to 100,000 shares of Company Preferred Stock at a price of \$10.00 per share for aggregate proceeds of up to \$1.0 million at any time, in the Company's discretion, during the 12 months following the effective time of the ATRM Merger. In March 2020, Mr. Eberwein extended the put option agreement through June 30, 2021.

ATRM Notes Payable

ATRM, had the following related party promissory notes (the "ATRM Notes") outstanding as of March 31, 2021, which were repaid in full during April 2021 using proceeds from the DMS Sale Transaction:

(i) Unsecured promissory note (principal amount of \$0.7 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest previously due on January 12, 2020 (the "January Note"). On November 13, 2019, LSV Co-Invest I extended the maturity date of the January Note from January 12, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated January 12, 2018, as amended, in favor of Gerber. As described below, in November 2020 and March 2021, Mr. Eberwein signed the second and third extension letter to extend the maturity date of the January Note.

(ii) Unsecured promissory note (principal amount of \$1.2 million payable to LSV Co-Invest I), with interest payable semi-annually at a rate of 10.0% per annum (LSV Co-Invest I may elect to receive interest in-kind at a rate of 12.0% per annum), with any unpaid principal and interest previously due on June 1, 2020 (the "June Note"). On November 13, 2019 LSV Co-Invest I also extended the maturity date of the June Note from June 1, 2020, to the earlier of (i) October 1, 2020 and (ii) the date when the January Note is no longer subject to a certain Subordinate Agreement dated June 1, 2018, as amended, in favor of Gerber. As described below, in November 2020 and March 2021, Mr. Eberwein signed the second and third extension letter to extend the maturity date of the June Note.

(iii) Unsecured promissory note (principal amount of \$0.4 million payable to LSVM), with interest payable annually at a rate of 10.0% per annum (LSVM may elect to receive any interest payment entirely in-kind at a rate of 12.0% per annum), with any unpaid principal and interest previously due on November 30, 2020 (the “LSVM Note”). As described below, in November 2020, Mr. Eberwein signed the second and third extension letter to extend the maturity date of the LSVM Note.

LSVM and LSV Co-Invest I on July 17, 2019, waived any right to accelerate payment with respect to the ATRM Merger under the ATRM Notes. In March 2020, Mr. Eberwein, sole manager of LSV Co-Invest I and LSVM, provided the Company a Letter of Support of the ATRM Notes indicating that he will take no adverse action against ATRM for failure to pay the principal due on the ATRM Notes by the maturity date and intends to work with the Company and ATRM to assure the financial success of the Company. In November 2020, Mr. Eberwein signed the second extension letter to extend the maturity date of the ATRM Notes to the earlier of (i) the date that is 5 business days after the Closing Date defined within the DMS stock Purchase Agreement dated October 30, 2020 between the Company and Knob Creek Acquisition Corp. or (ii) the date when the Note is no longer subject to a certain subordinate letter agreement dated January 12, 2018, as amended in favor of Gerber. In March 2021, Mr. Eberwein signed the third extension letter to extend the maturity dates of the ATRM Notes to aforementioned two conditions or to June 30, 2022. The ATRM Notes were paid off in full in April 2021, upon the completion of DMS Sale Transaction.

Subordination Agreement

LSVM and LSV Co-Invest I were parties to subordination agreements with ATRM and Gerber pursuant to which LSVM and LSV Co-Invest I agreed to subordinate the obligations of ATRM under their unsecured promissory notes to the obligations of the borrowers to Gerber. These subordination agreements were cancelled with the execution of the eighteenth amendment to the KBS Loan Agreement and the fourth amendment to the EGBL Loan Agreement,

Note 13. Perpetual Preferred Stock

Holders of shares of Series A Preferred Stock (the Preferred Stock) are entitled to receive, when, as and if, authorized by the board of directors (or a duly authorized committee of the board of directors) and declared by the Company out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 10.0% per annum of the liquidation preference of \$10.00 per share. Dividends are payable quarterly, in arrears, on the last calendar day of March, June, September and December to holders of record at the close of business on the first day of each payment month. The Preferred Stock is not convertible and does not have any voting rights, except when dividends are in arrears for six or more consecutive quarters, then the holders of those shares together with holders of all other series of preferred stock equal in rank will be entitled to vote separately as a class for the election of two additional directors to board of directors, until all dividends accumulated on such shares of Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set apart for payment. Under change of control or other conditions, the Preferred Stock may be subject to redemption. We may redeem the Preferred Stock upon the occurrence of a change of control, subject to certain conditions. We may also voluntarily redeem some or all of the Preferred Stock on or after September 10, 2024.

On May 26, 2021, our board of directors declared a cash dividend to holders of the 10% Series A Cumulative Perpetual Preferred Stock of \$0.25 per share, for an aggregate amount of approximately \$479 thousand. The record date for this dividend was June 1, 2021, and the payment date was on June 11, 2021.

As of June 30, 2021, the aggregate and per-share amounts of cumulative preferred dividends in arrears are \$3.0 million and \$1.56 per share, respectively.

A roll forward of the balance of Preferred Stock for the quarter ended June 30, 2021 is as follows (in thousands):

Balance at December 31, 2020	\$	21,500
Deemed dividend on perpetual preferred stock		958
Cash dividend paid on perpetual preferred stock		(479)
Balance at June 30, 2021	\$	21,979

Note 14. Preferred Stock Rights

On June 2, 2021, the Board of Directors adopted a tax benefit preservation plan in the form of a Section 382 Rights Agreement (the “382 Agreement”). The 382 Agreement is intended to diminish the risk that our ability to use our net operating loss carryforwards to reduce future federal income tax obligations may become substantially limited due to an “ownership change,” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). The Board authorized and declared a dividend distribution of one right for each outstanding share of common stock, par value \$0.0001 per share, to stockholders of record as of the close of business on June 14, 2021. Each right entitles the registered holder to purchase from the one one-thousandth of a share of Series C Participating Preferred Stock, par value \$0.0001 per share, at an exercise price of \$12.00 per one one-thousandth of a Preferred Share, subject to adjustment.

The rights will become exercisable following (i) 10 days after a public announcement that a person or group has become an Acquiring Person; and (ii) 10 business days (or a later date determined by the Board) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an Acquiring Person.

In addition, upon the occurrence of certain events, the exercise price of the rights would be adjusted and holders of the rights (other than rights owned by an acquiring person or group) would be entitled to purchase common stock at approximately half of market value. Given the potential adjustment of the exercise price of the rights, the rights could cause substantial dilution to a person or group that acquires 4.99% or more of common stock on terms not approved by the Board of Directors.

No rights were exercisable at June 30, 2021. There is no impact to financial results as a result of the adoption of the rights plan for the quarter ended June 30, 2021.

Note 15. Subsequent Events

On August 4, 2021, our Board of Directors approved to distribute Star Equity’s interest in Diagnostic Imaging Solutions, Inc. (“Diagnostic Services”) business to Digirad Health, resulting in Diagnostic Imaging Service becoming a wholly owned direct subsidiary of Digirad Health.

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

This management’s discussion and analysis of financial condition and results of operations (“MD&A”), contains forward-looking statements that involve risks and uncertainties. Please see “Important Information Regarding Forward-Looking Statements” for a discussion of the uncertainties, risks, and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and related notes thereto for the fiscal year ended December 31, 2020, which were included in our Form 10-K, filed with the SEC on March 29, 2021.

The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

Overview

Star Equity, known prior to January 1, 2021 as Digirad Corporation, has operated as a multi-industry holding company since the acquisition of ATRM in September 2019. With that merger, we added two construction businesses to what had historically been a pure-play healthcare company. Today, Star Equity is a diversified holding company with operating businesses in two key industry sectors of the economy, healthcare and construction.

Our Healthcare division, which operates as Digirad Health, provides products and services in the area of nuclear medical imaging with a focus on cardiac health. Digirad Health operates across the U.S. The healthcare business involves two reporting segments, Diagnostic Services, which offers imaging services to healthcare providers using a fleet of our proprietary solid-state gamma cameras and Diagnostic Imaging, which manufactures, distributes and maintains our proprietary solid-state gamma cameras.

Our Construction division is a single reporting segment but is made up of three operating business, KBS, EdgeBuilder and Glenbrook. KBS is based in Maine and manufactures modular buildings for installation throughout the New England market. EdgeBuilder and Glenbrook, referred to together as “EBGL” internally and based in the Minneapolis-Saint Paul area, together manufacture and deliver structural wall panels and other engineered wood-based products as well as distribute building materials to professional builder customers in the Upper Midwest.

Currently, our Investments division is an internally-focused unit that is directly supervised by Star Equity management and is primarily responsible for the management of our real estate and investments, which currently includes our three manufacturing facilities in Maine that are leased to KBS.

Strategy

Star Equity

We believe our diversified, multi-industry holding company structure will allow Star Equity management to focus on capital allocation, strategic leadership, mergers and acquisitions, capital markets transactions, investor relations, management of our real estate and investments, and other public company activities. Our structure will free up our operating Chief Executive Officers to manage their respective businesses, improve operations, and look for organic and bolt-on growth opportunities, with fewer distractions and less administrative burden.

We continue to explore strategic alternatives to improve the market position and profitability of our product offerings in the marketplace, generate additional liquidity, and enhance our valuation. We may pursue our goals through organic growth or through strategic transactions. Some of these strategic transactions have included, and could continue to include, selective acquisitions of business segments or entire businesses, divestitures of assets or divisions, or a restructuring of our company.

We seek to grow our business by, among other things:

- **Organic growth from our core businesses.** We believe that we operate in markets and geographies that will allow us to continue to grow our core businesses, allowing us to benefit from our scale and strengths. We plan to focus our efforts on markets in which we already have a presence in order to take advantage of personnel, infrastructure, and brand recognition we have in these areas.

- **Introduction of new services.** In the Healthcare division, we plan to continue to focus on healthcare solutions related businesses that deliver necessary assets, services and logistics directly to the customer site. We believe that over time we can either purchase or develop new and complementary businesses and take advantage of our customer loyalty and distribution channels. In the Construction division, we will consider opportunities to augment our service offering to better serve our customer base. We have done this in the New England market by adding a structural wall panel line. Other areas might include logistics, installation on site, and manufacturing of sub-components or enhancements that create even more complete modules, such as full HVAC installation.
- **Acquisition of complementary businesses.** We plan to continue to look at complementary businesses that meet our internally developed financially disciplined approach for acquisitions to grow our company. We believe there are many potential small targets that can be acquired over time and integrated into our platform. We will also look at larger, more transformational acquisitions (public or private) if we believe the appropriate mix of value, risk and return is present for our shareholders. The timing of these potential acquisitions will always depend on market conditions, available capital, and the value for each transaction. In general, we want to be “value” buyers, and will not pursue any transaction unless we believe the post-transaction potential value is high for shareholders.

Current Market Conditions

Since the second quarter of 2020, navigating the COVID-19 pandemic has proved to be a challenging year for the vast majority of businesses across many sectors of the economy. As the vaccine rollout expanded through the second quarter of this year, we have seen our businesses return substantially to pre-COVID levels. We believe the uncertainty surrounding the pandemic will continue to decrease as we progress through second half of 2021. On the healthcare side, we see imaging volume stabilize at pre-pandemic levels. In construction, we expect that continued recovery in employment and a strong housing market will underpin a period of secular growth.

The target market for our healthcare products and services is comprised of cardiologists, internal medicine physicians, family practice physicians, hospitals, IDNs, and federal institutions in the United States that perform or could perform a diagnostic imaging procedure, have a need for cardiac event monitoring, or have interest in purchasing a diagnostic imaging product. Our diagnostic services businesses currently operate in approximately 25 states. The overriding challenge during 2020 was the drop in imaging volume due to the COVID-19 pandemic. During the six months ended June 30, 2021, we have seen a return to a more normal pre-COVID volume of imaging.

The target market for our construction division includes residential home builders, general contractors, owners or developers of commercial buildings, and individual retail customers. While housing demand and home improvement activity continues to be very strong, this demand and supply disruptions resulting from the COVID-19 pandemic caused a historic increase in the price of building materials during second half of 2020 and through the second quarter of 2021. While revenues have tracked the robust activity in the housing sector, our bottom line has been impacted by this rapid price increase in materials. As the second quarter 2021 came to a close, prices began to decline and are significantly lower than the peak. We believe this will bode well for second half of 2021 as our pricing levels have increased due to adjustments made in the first half of 2021.

Trends and Drivers

The market for diagnostic services and products is highly competitive. Our business, which is focused primarily on the private practice and hospital sectors, continues to face uncertainty in the demand for diagnostic services and imaging equipment, which we believe is due in part to the impact of the Deficit Reduction Act on the reimbursement environment and the 2010 Healthcare Reform laws, COVID-19 pandemic impact, as well as general uncertainty in overall healthcare and legislative changes in healthcare, such as the Affordable Care Act. These challenges have impacted, and will likely continue to impact, our operations. We believe that the principal competitive factors in our market include budget availability for our capital equipment, qualifications for reimbursement, pricing, ease-of-use, reliability, and mobility. We have addressed, and will continue to address, these market pressures by modifying our Diagnostic Services business models, and by assisting our healthcare customers in complying with new regulations and requirements.

In our construction division, we continue to see a greater adoption of offsite or prefabricated construction in single-family and multi-family residential building projects, our target market. Our modular units and structural wall panels offer builders a number of benefits over traditional onsite or “stick built” construction. These include shorter time to market, higher quality, reduced waste, readily available labor and potential cost savings, among others. 3D BIM software modeling and developments in engineered wood products offers greater design flexibility for higher-end applications. The need for more affordable housing solutions also presents a great opportunity for the continued emergence of factory built housing.

COVID-19 Pandemic

During the three and six months ended June 30, 2021, we had a \$5.4 million and \$5.0 million increase in Healthcare division revenue, respectively and a \$5.9 million and \$9.5 million increase, respectively, in Construction division revenue, as compared to the same period of the prior year. We have largely recovered from the economic effects of the COVID-19 pandemic and made our way back to pre-COVID-19 levels of business activity, and we have actual revenue growth, especially in our construction division. On the healthcare side, we have seen imaging volume recover as the pandemic is brought further under control. In construction, the continued recovery in employment and a strong housing market underpinned the growth in that division. However, we experienced high costs in the price of materials. The current COVID-19 pandemic, which is impacting worldwide economic activity, poses the risk that the Company or its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. The extent to which the COVID-19 pandemic will impact the Company's business will depend on future developments that are highly uncertain and cannot be predicted at this time.

Discontinued Operations

The DMS Sale Transaction was completed on March 31, 2021, for \$18.75 million in cash, subject to certain adjustments, including a working capital adjustment. The divestiture of DMS Health, which operated our Mobile Healthcare segment, met the definition of a strategic shift that has a significant effect on our operations and financial results; therefore, the results of operations for the Mobile Healthcare segment have been presented as discontinued operations in accordance with ASC 205-20, Presentation of Financial Statements-Discontinued Operations for all periods presented. Additionally, Mobile Healthcare's assets and liabilities as of December 31, 2020 are separately presented as held for sale on the unaudited consolidated balance sheet. Unless otherwise noted, discussion within these notes to the unaudited consolidated financial statements relates to continuing operations.

Business Segments

As of June 30, 2021, our business is organized into four reportable segments:

- Diagnostic Services
- Diagnostic Imaging
- Construction
- Investments

Diagnostic Services

Through this segment, we offer a convenient and economically efficient imaging and monitoring services program as an alternative to purchasing equipment or outsourcing the procedures to another physician or imaging center. For physicians who wish to perform nuclear imaging, echocardiography, vascular or general ultrasound tests, we provide imaging systems, qualified personnel, radiopharmaceuticals, licensing services, and the logistics required to perform imaging in their own offices, and thereby the ability to bill Medicare, Medicaid, or one of the third-party healthcare insurers directly for those services, which are primarily cardiac in nature. We provide imaging services primarily to cardiologists, internal medicine physicians, and family practice doctors who typically enter into annual contracts for a set number of days ranging from once per month to five times per week.

Diagnostic Imaging

Through this segment, we sell our internally developed solid-state gamma cameras, imaging systems and camera maintenance contracts. Our imaging systems include nuclear cardiac imaging systems, as well as general purpose nuclear imaging systems. We sell our imaging systems to physician offices and hospitals primarily in the United States, although we have sold a small number of imaging systems internationally. Our imaging systems are sold in both portable and fixed configurations, provide enhanced operability and improved patient comfort, fit easily into floor spaces as small as seven feet by eight feet, and facilitate the delivery of nuclear medicine procedures in a physician's office, an outpatient hospital setting, or within multiple departments of a hospital (e.g., emergency and operating rooms). Our Diagnostic Imaging segment revenues derive primarily from selling solid-state gamma cameras and post-warranty camera maintenance contracts.

Construction

Through this segment, by way of our wholly-owned subsidiaries KBS, Glenbrook and EdgeBuilder, we service residential and commercial construction projects by manufacturing modular housing units, structural wall panels, permanent wood foundation systems, other engineered wood products, and supply general contractors with building materials. KBS is a Maine-based manufacturer that started business in 2001 as a manufacturer of modular homes. KBS offers products for both multi-family and single-family residential buildings with a focus on customization to suit the project requirements and provide engineering and design expertise. Glenbrook is a supplier of lumber, windows, doors, cabinets, drywall, roofing, decking and other building materials to professional builders and conducts its operations in Oakdale, Minnesota. EdgeBuilder is a manufacturer of structural wall panels, permanent wood foundation systems and other engineered wood products and conducts its operations in Prescott, Wisconsin.

Investments

Through this segment, we hold real estate assets that we have acquired and will potentially manage other future investments of Star Equity. In April 2019, the Company funded the initial purchase of three manufacturing facilities in Maine that manufacture modular buildings and leased those three properties back to KBS. The initial funding of the assets acquisition was primarily through the revolver loan under our SNB Credit Facility. Since that time, we have secured a new facility from Gerber to finance these properties.

Healthcare Services and Products

Diagnostic imaging depictions of the internal anatomy or physiology are generated primarily through non-invasive means. Diagnostic imaging facilitates the early diagnosis of diseases and disorders, often minimizing the scope, cost, and amount of care required and reducing the need for more invasive procedures. Currently, the major types of non-invasive diagnostic imaging technologies available are: ultrasound and nuclear imaging. The most widely used imaging acquisition technology utilizing gamma cameras is single photon emission computed tomography, or SPECT. All our current internally-developed cardiac gamma cameras employ SPECT technology.

Diagnostic imaging is the standard of care in diagnosis of diseases and disorders. We offer, through our businesses, the majority of these diagnostic imaging modalities. All of the diagnostic imaging modalities that we offer (both from provision of services and product sales) have been consistently utilized in clinical applications for many years, and are stable in their use and need. By offering a wide array of these modalities, we believe that we have strategically diversified our operations in possible changing trends of utilization of one diagnostic imaging modality from another.

Construction Services and Products

In the construction business, KBS markets its modular homes products through a direct sales organization and through inside sales, outside sales, a network of independent dealers, builders, and contractors in the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont). KBS's direct sales organization is responsible for all commercial building projects, and works with developers, architects, owners, and general contractors to establish the scope of work, terms of payment, and general requirements for each project. KBS's sales people also work with independent dealers, builders, and contractors to accurately configure and place orders for residential homes for their end customers. KBS's network of independent dealers and contractors do not work with it exclusively, although many have KBS model homes on display at their retail centers. KBS does not assign exclusive territories to its independent dealers and contractors, but they tend to sell in areas of New England where they will not be competing against another KBS dealer or contractor. KBS's backlog and pipeline, along with its market initiatives to build more workforce housing, are expected to position KBS for continued growth.

EBGL markets its engineered structural wall panels and permanent wood foundation systems through direct sales people and a network of builders, contractors and developers in and around Minneapolis and St. Paul areas. EBGL's direct sales organization is responsible for both residential and commercial projects and it works with general contractors, developers and builders to provide bids and quotes for specific projects. Our marketing efforts include participation in industry trade shows, production of product literature, and sales support tools. These efforts are designed to generate sales leads for our independent builders and dealers, and direct salespeople.

Critical Accounting Policies and Estimates

In preparing our financial statements, we make estimates, assumptions and judgments that can have a significant impact on our revenue and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions, and judgments involved in the accounting policies described in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 have the greatest potential impact on our financial statements, so we consider them to be our critical accounting policies and estimates.

Results of Operations

Comparison of the Three Months Ended June 30, 2021 and 2020

The following table summarizes our results for the three months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,					
	2021	Percent of Revenues	2020	Percent of Revenues	Change from Prior Year Dollars	Percent
Total revenues	\$ 25,806	100.0 %	\$ 14,510	100.0 %	\$ 11,296	77.8 %
Total cost of revenues	24,302	94.2 %	11,336	78.1 %	12,966	114.4 %
Gross profit	1,504	5.8 %	3,174	21.9 %	(1,670)	(52.6)%
Total operating expenses	6,014	23.3 %	4,229	29.1 %	1,785	42.2 %
Loss from operations	(4,510)	(17.5)%	(1,055)	(7.2)%	(3,455)	327.5 %
Total other expense	2,751	10.7 %	278	1.9 %	2,473	889.6 %
Loss before income taxes	(1,759)	(6.8)%	(777)	(5.3)%	(982)	126.4 %
Income tax expense	(32)	(0.1)%	(34)	(0.2)%	2	(5.9)%
Net loss from continuing operations	(1,791)	(6.9)%	(811)	(5.5)%	(980)	120.8 %
Net loss from discontinued operations	(65)	(0.3)%	(476)	(3.3)%	411	(86.3)%
Net loss	<u>\$ (1,856)</u>	<u>(7.2)%</u>	<u>\$ (1,287)</u>	<u>(8.8)%</u>	<u>\$ (569)</u>	<u>44.2 %</u>

Revenues

Healthcare

Healthcare revenue by segments is summarized as follows (in thousands):

	Three Months Ended June 30,			
	2021	2020	Change	% Change
Diagnostic Services	\$ 11,743	\$ 7,140	\$ 4,603	64.5 %
Diagnostic Imaging	3,127	2,333	794	34.0 %
Total Healthcare Revenue	<u>\$ 14,870</u>	<u>\$ 9,473</u>	<u>\$ 5,397</u>	<u>57.0 %</u>

Diagnostic Services revenue increased 64.5% compared to prior year quarter. This business has recovered from COVID-19 and is now performing at pre-pandemic levels. Most doctor offices have reopened and hospitals are now performing non-emergency procedures. As state-by-state vaccination levels increase, our operations fully returned to normal levels for the three months ended June 30, 2021.

The increase in Diagnostic Imaging is due to higher number of cameras sold compared to the prior year quarter.

Construction

Construction revenue is summarized as follows (in thousands):

	Three Months Ended June 30,			
	2021	2020	Change	% Change
Construction	\$ 10,936	\$ 5,035	\$ 5,901	117.2 %
Construction Revenue	<u>\$ 10,936</u>	<u>\$ 5,035</u>	<u>\$ 5,901</u>	<u>117.2 %</u>

The increase in revenue for the Construction division was predominately due to higher production levels at KBS and EBGL.

Investments

Investments revenue is summarized as follows (in thousands):

	Three Months Ended June 30,			
	2021	2020	Change	% Change
Investments	\$ —	\$ 2	\$ (2)	(100.0)%
Investments Revenue	\$ —	\$ 2	\$ (2)	(100.0)%

The decrease in investments revenue was due to the wind down of investment vehicles from LSVM.

Gross Profit

Healthcare Gross Profit

Healthcare gross profit and gross margin by segments is summarized as follows (in thousands):

	Three Months Ended June 30,		
	2021	2020	% Change
Diagnostic Services gross profit	\$ 2,393	\$ 953	151.1 %
Diagnostic Services gross margin	20.4 %	13.3 %	
Diagnostic Imaging gross profit	\$ 1,016	\$ 1,232	(17.5)%
Diagnostic Imaging gross margin	32.5 %	52.8 %	
Total healthcare gross profit	\$ 3,409	\$ 2,185	56.0 %
Total healthcare gross margin	22.9 %	23.1 %	

The increase in Diagnostic Services gross margin percentage was mainly due to an increase in revenue. Our fixed costs such as employee costs, insurance, workers compensation, rents, utilities, repairs, and maintenance remained fairly constant.

The decrease in Diagnostic Imaging gross margin percentage was mainly due to higher installation, training, and freight costs. Further, there are higher costs accrued to service cameras and adjustments to warranty provision for the three months ended June 30, 2021, compared to the same period in the prior year.

Construction Gross(Loss) Profit

Construction gross (loss) profit and margin is summarized as follows (in thousands):

	Three Months Ended June 30,		
	2021	2020	% Change
Construction gross (loss) profit	\$ (1,844)	\$ 1,053	(275.1)%
Construction gross margin	(16.9)%	20.9 %	

The decrease in Construction gross profit was predominately due to higher material costs at KBS and EBGL, with revenue recognized on large commercial projects. The decrease in gross margin percentage is due to the negative effect of higher raw material prices.

Investments Gross Loss

Investments gross loss is summarized as follows (in thousands):

	Three Months Ended June 30,		
	2021	2020	% Change
Real Estate and Investments gross loss	\$ (61)	\$ (64)	(4.7)%

The gross loss relates to depreciation expense associated with the three manufacturing facilities acquired in April 2019.

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Three Months Ended June 30,				Percent of Revenues			
			Change					
	2021	2020	Dollars	Percent	2021		2020	
Selling, general and administrative	\$ 5,584	\$ 3,670	\$ 1,914	52.2 %	21.6 %		25.3 %	
Amortization of intangible assets	430	559	(129)	(23.1) %	1.7 %		3.9 %	
Total operating expenses	\$ 6,014	\$ 4,229	\$ 1,785	42.2 %	23.3 %		29.2 %	

The \$1.9 million increase in sales, general and administrative expenses was primarily due to a \$0.4 million increase in the Construction business as a result of increased commissions and headcount, a \$0.2 million increase in the Digirad Health business as a result of increased commissions, a \$0.4 million increase in external and internal auditors review fees, a \$0.1 million increase in administrative department due to headcount and \$0.4 million increase in IT and outside services costs .

Total Other Income (Expense)

Total other income (expense) is summarized as follows (in thousands):

	Three Months Ended June 30,	
	2021	2020
Other income, net	\$ 2,950	\$ 672
Interest expense, net	(199)	(394)
Total other income	\$ 2,751	\$ 278

Other income, net for three months ended June 30, 2021 is predominantly comprised of remaining \$3.0 million PPP loan forgiveness from Diagnostic Services. As of June 30, 2021, the Company has no PPP loans outstanding.

Interest expense, net, for the three months ended June 30, 2021 and 2020 are predominantly comprised of interest costs and the related amortization of deferred issuance costs on our debt, respectively.

Income Tax Expense

For the three months ended June 30, 2021, we recorded an income tax expense from continuing operations of \$32 thousand. See Note 10, *Income Taxes*, within the notes to our unaudited consolidated financial statements for further information related to the income taxes.

Income from Discontinued Operations

See Note 2, *Discontinued Operations* of the unaudited condensed consolidated financial statements for information regarding discontinued operations.

Results of Operations

Comparison of the Six Months Ended June 30, 2021 and 2020

The following table summarizes our results for the six months ended June 30, 2021 and 2020 (in thousands):

	Six Months Ended June 30,					
	2021		2020		Change from Prior Year	
		Percent of Revenues		Percent of Revenues	Dollars	Percent
Total revenues	\$ 48,160	100.0 %	\$ 33,700	100.0 %	\$ 14,460	42.9 %
Total cost of revenues	43,579	90.5 %	27,283	81.0 %	16,296	59.7 %
Gross profit	4,581	9.5 %	6,417	19.0 %	(1,836)	(28.6)%
Total operating expenses	10,659	22.1 %	9,668	28.7 %	991	10.3 %
Loss from operations	(6,078)	(12.6)%	(3,251)	(9.7)%	(2,827)	87.0 %
Total other expense	3,733	7.8 %	133	0.4 %	3,600	2,706.8 %
Loss before income taxes	(2,345)	(4.8)%	(3,118)	(9.3)%	773	(24.8)%
Income tax expense	(34)	(0.1)%	(61)	(0.2)%	27	(44.3)%
Net loss from continuing operations	(2,379)	(4.9)%	(3,179)	(9.5)%	800	(25.2)%
Net income (loss) from discontinued operations	5,955	12.4 %	(1,061)	(3.1)%	7,016	(661.3)%
Net income (loss)	\$ 3,576	7.5 %	\$ (4,240)	(12.6)%	\$ 7,816	(184.3)%

Revenues

Healthcare

Healthcare revenue by segments is summarized as follows (in thousands):

	Six Months Ended June 30,			
	2021	2020	Change	% Change
Diagnostic Services	\$ 21,982	\$ 17,954	\$ 4,028	22.4 %
Diagnostic Imaging	6,195	5,194	1,001	19.3 %
Total Healthcare Revenue	\$ 28,177	\$ 23,148	\$ 5,029	21.7 %

Diagnostic Services revenue increased 22.4% compared to prior year quarter. This business has recovered and is now performing at pre-pandemic levels. Most doctor's offices have reopened and hospitals are now performing non-emergency procedures. As state-by-state vaccination levels increase, our operations fully return to normal levels for the six months ended 2021.

The increase in Diagnostic Imaging is due to higher number of cameras sold compared to the prior year quarter.

Construction

Construction revenue is summarized as follows (in thousands):

	Six Months Ended June 30,			
	2021	2020	Change	% Change
Building and Construction	\$ 19,983	\$ 10,519	\$ 9,464	90.0 %
Total Construction Revenue	\$ 19,983	\$ 10,519	\$ 9,464	90.0 %

The increase in revenue for the Construction division was predominately due to higher production levels and undergoing several large commercial jobs at KBS and EBGL.

Real Estate and Investments

Real Estate and Investments revenue is summarized as follows (in thousands):

	Six Months Ended June 30,			
	2021	2020	Change	% Change
Real Estate and Investments	\$ —	\$ 33	\$ (33)	(100.0)%
Real Estate and Investments Revenue	\$ —	\$ 33	\$ (33)	(100.0)%

The decrease in investments revenue was due to the wind down of investment vehicles from LSVM.

Gross Profit

Healthcare Gross Profit

Healthcare gross profit and gross margin by segments is summarized as follows (in thousands):

	Six Months Ended June 30,		
	2021	2020	% Change
Diagnostic Services gross profit	\$ 4,000	\$ 2,958	35.2 %
Diagnostic Services gross margin	18.2 %	16.5 %	
Diagnostic Imaging gross profit	2,007	2,101	(4.5)%
Diagnostic Imaging gross margin	32.4 %	40.5 %	
Total healthcare gross profit	\$ 6,007	\$ 5,059	18.7 %
Total healthcare gross margin	21.3 %	21.9 %	

The increase in Diagnostic Services gross margin percentage was mainly due to increased sales from continued recovery from the COVID-19 pandemic. Our fixed costs such as employee costs, insurance, workers compensation, rents, utilities, repairs, and maintenance remained fairly constant.

The decrease in Diagnostic Imaging gross margin percentage was mainly due to installation, training, and freight costs. Further, there are higher costs accrued to service cameras and adjustments to warranty provision for the six months ended June 30, 2021, compared to the same period in the prior year.

Construction Gross (Loss) Profit

Construction gross profit and margin is summarized as follows (in thousands):

	Six Months Ended June 30,		
	2021	2020	% Change
Building and Construction gross (loss) profit	\$ (1,300)	\$ 1,456	(189.3)%
Building and Construction gross margin	(6.5)%	13.8 %	

The decrease in Construction gross profit was predominately due to higher material costs at KBS and EBGL, with revenue recognized on large commercial projects. The decrease in gross margin percentage is due to the negative effect of higher raw material prices.

Real Estate and Investments Gross Profit

Real Estate and Investments gross profit and margin is summarized as follows (in thousands):

	Six Months Ended June 30,		
	2021	2020	% Change
Real Estate and Investments gross loss	\$ (126)	\$ (98)	28.6 %

The Investments gross loss relates to depreciation expense associated with the three manufacturing facilities acquired in April 2019.

Operating Expenses

Operating expenses are summarized as follows (in thousands):

	Six Months Ended June 30,				Percent of Revenues			
			Change					
	2021	2020	Dollars	Percent	2021		2020	
Selling, general and administrative expenses	\$ 10,638	\$ 8,533	\$ 2,105	24.7 %	22.1 %		25.3 %	
Amortization of intangible assets	868	1,135	(267)	(23.5) %	1.8 %		3.4 %	
Gain on sale of MD Office Solutions	(847)	—	(847)	(100.0) %	(1.8) %		— %	
Total operating expenses	\$ 10,659	\$ 9,668	\$ 991	10.3 %	22.1 %		28.7 %	

The \$2.1 million increase in sales, general and administrative expenses was primarily due to a \$0.4 million increase in the Construction business as a result of increased commissions and headcount, a \$0.3 million increase due to reserve from tenant receivables in the Construction business, a \$0.2 million increase in the Digirad Health business as a result of increased commissions, a \$0.3 million increase in external and internal auditors review fees, a \$0.2 million increase in administrative department due to headcount and a \$0.6 million increase in IT and outside services costs.

On February 1, 2021, we completed the sale of MD Office Solutions business and recognized \$0.8 million in gain upon sale.

Total other expense is summarized as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Other income, net	\$ 4,205	\$ 832
Interest expense, net	(472)	(699)
Total other expense	\$ 3,733	\$ 133

Other income, net for six months ended June 30, 2021 is predominantly comprised of \$4.2 million PPP loan forgiveness from Diagnostic Services and Construction business. As of June 30, 2021, the Company has no PPP loans outstanding.

Interest expense, net, for the six months ended June 30, 2021 and 2020 is predominantly comprised of interest costs and the related amortization of deferred issuance costs on our debt.

Income Tax Expense

For the six months ended June 30, 2021, we recorded an income tax expense of \$34 thousand. See Note 10, *Income Taxes*, within the notes to our unaudited condensed consolidated financial statements for further information related to the income taxes.

Income from Discontinued Operations

See Note 2, *Discontinued Operations* of the unaudited condensed consolidated financial statements for information regarding discontinued operations.

Liquidity and Capital Resources

Overview

We used cash of \$7.6 million for operations during the six months ended June 30, 2021, predominately from changes in net working capital. Cash flow used in operations primarily consist of our overall net loss (adjusted for depreciation, amortization, and other non-cash items), and the net effect of changes in working capital. Cash flow provided by investing activities from the DMS Sale Transaction was used primarily for investment in capital equipment required to maintain and grow our business, as well as acquisitions and dispositions. Cash flow from financing activities primarily consisted of our net payments of borrowings on various revolving facilities and the receipt of cash from the conversion of cash warrants converted into common stock, offset by the repayments of on finance leases and dividends.

Our principal sources of liquidity include our existing cash and cash equivalents, cash generated from operations, and funds available under various credit facilities and proceeds from sale of DMS Health. As of June 30, 2021, we had \$6.3 million of cash, cash equivalents and restricted cash and \$2.5 million available under our Sterling revolving line of credit.

We require capital, principally for capital expenditures, acquisition activity, dividend payments and to finance accounts receivable and inventory. Our working capital requirements vary from period to period depending on inventory requirements, the timing of deliveries, and the payment cycles of our customers. Our capital expenditures consist primarily of medical imaging and diagnostic devices utilized in the delivery of our services, as well as vehicles and information technology hardware and software.

Regarding our debt, we had approximately \$13.1 million in short term debt due to our borrowings which is classified as short term as disclosed in Note 8. *Debt*. The \$7.2 million SNB credit facility primarily supports our healthcare business and actually matures in 2024, but GAAP rules require that the outstanding balance be classified as short-term debt, due to the automatic sweep feature embedded in the traditional lockbox arrangement along with a subjective acceleration clause in the SNB Loan and Security Agreement. In practice, we have the ability to immediately borrow back these daily sweeps to fund our working capital. As of June 30, 2021, we were in compliance with all borrowing arrangements related to our Healthcare division. As of June 30, 2021, we had \$2.5 million of borrowing capacity to fund the operations of these divisions.

As of June 30, 2021, we have \$4.7 million outstanding on our Construction revolvers with Gerber and were not in compliance with all borrowing covenants for Gerber; further, we were in breach of our covenants as of December 31, 2020 and may be in breach at our next measurement period at June 30, 2021. While Gerber has historically provided us with waivers, there is no assurance that we will be able to receive waivers for covenant violations in the future, or that we will meet compliance with covenants in the future. We have \$1.2 million outstanding on our Star term loan, on which we have been making timely payments and are in compliance with the borrowing arrangements. Related party notes of \$2.3 million were paid off on April 1, 2021 using proceeds from the DMS Sale Transaction. While revenues have tracked the robust activity in the housing sector, our bottom line has been impacted by this rapid price increase in materials. As part of our plan, we have increased prices since the beginning of 2021 to offset these higher input costs, we expect see the full benefit of these increases on our margins in the second half of the year. We expect gross margins in Construction to continue to improve over time. As the second quarter 2021 came to a close, prices began to decline and are significantly lower than the peak. Our backlog remains very strong. We believe this will bode well for second half of 2021, as our pricing levels have increased due to adjustments made in the first half of 2021.

Management believes that the Company has the liquidity and operations to continue to support the business through the next 12 months from the issuance of this Quarterly Report. Our ability to continue as a going concern is dependent on our ability to execute our plans.

Common Stock Equity Offering

On May 28, 2020, we closed a public offering (the “Offering”) of 2,225,000 shares of our common stock, and 2,225,000 warrants (the “Warrants”) to purchase up to 1,112,500 additional shares of our common stock. The Offering price was \$2.24 per share of common stock and \$0.01 per accompanying Warrant (for a combined Offering price of \$2.25), initially raising \$5.0 million in gross proceeds before underwriter discounts and offering-related expenses. The underwriting agreement (the “Underwriting Agreement”) we entered into with Maxim Group LLC (“Maxim”), as representative of the underwriters, for the Offering contained customary representations, warranties, and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and Maxim and certain other obligations.

Pursuant to the terms of the Underwriting Agreement, we granted to Maxim an option for a period of 45 days (the “Over-Allotment Option”) to purchase up to 225,000 additional shares of our common stock and 225,000 Warrants to purchase up to an additional 112,500 shares of our common stock. Effective as of the closing of the Offering, Maxim exercised the Over-Allotment Option for the purchase of 225,000 Warrants for a price of \$0.01 per Warrant. On June 10, 2020, Maxim exercised the Over-Allotment Option for the purchase of 225,000 shares of our common stock for a price of \$2.24 per share, before underwriting discounts. The closing of the sale of the over-allotment shares brought the total number of shares of common stock we sold in the Offering to 2,450,000 shares, and total gross proceeds to approximately \$5.5 million. In addition, the Company received \$0.5 million from investors in the Offering throughout the balance of June 30, 2021, due to the exercise of a portion of the Warrants sold in the Offering, bringing the total gross proceeds from equity issuance to \$6.5 million.

The net proceeds to the Company from the Offering and Warrant exercises in 2020 were approximately \$5.2 million (inclusive of the exercise of the over-allotment option), after deducting underwriter fees and offering-related expenses estimated at \$0.8 million. We used a significant portion of the net proceeds from the Offering to fund working capital needs at our construction businesses, particularly related to modular housing projects which we produced at KBS Builders, Inc. (“KBS”) for the Boston-area projects. The remainder of the net proceeds is being used for working capital and for other general corporate purposes. We have broad discretion in determining how the proceeds of the Offering is used, and our discretion is not limited by the aforementioned possible uses.

As of June 30, 2021, 1.0 million warrants were exercised and 1.5 million warrants remained outstanding at an exercise price of \$2.25.

Cash Flows

The following table shows cash flow information for the six months ended June 30, 2021 and 2020 (in thousands):

	Six Months Ended June 30,	
	2021	2020
Net cash (used in) provided by operating activities	\$ (7,599)	\$ 49
Net cash provided by (used in) investing activities	\$ 18,021	\$ (202)
Net cash (used in) provided by financing activities	\$ (7,534)	\$ 7,372

Operating Activities

The increase in cash used compared to the prior year period was primarily due to operating losses from increased material prices in Construction division.

Investing Activities

The increase in investing activities cash flow compared to the prior year period was primarily attributable to \$18.75 million proceeds received from DMS Health disposition.

Financing Activities

The decrease in cash flows from financing activities is primarily due to a \$7.9 million pay down of the SNB Credit Facility, \$2.3 million pay down of the ATRM Promissory Notes, \$0.7 million pay down of the EBGL Premier Note, \$0.5 million pay down of preferred stock dividends, using the proceeds from the sale of the DMS Health business.

Sterling Credit Facility

On March 29, 2019, the Company entered into a Loan and Security Agreement (the “SNB Loan Agreement”) by and among certain subsidiaries of the Company, as borrowers (collectively, the “SNB Borrowers”); the Company, as guarantor; and Sterling National Bank, a national banking association, as lender (“Sterling” or “SNB”).

The SNB Loan Agreement is a five-year credit facility maturing in March 2024, with a maximum credit amount of \$20.0 million for revolving loans (the “SNB Credit Facility”). Under the SNB Credit Facility, the SNB Borrowers can request the issuance of letters of credit in an aggregate amount not to exceed \$0.5 million at any one time outstanding. The borrowings under the SNB Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts within the lockbox are swept daily to reduce borrowings outstanding. As of June 30, 2021, the Company had \$0.2 million of letters of credit outstanding and had additional borrowing capacity of \$2.5 million.

At the Borrowers’ option, the SNB Credit Facility will bear interest at either (i) a Floating LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.50% per annum; or (ii) a Fixed LIBOR Rate, as defined in the Loan Agreement, plus a margin of 2.25% per annum. As our largest single debt outstanding, our floating rate on this facility at June 30, 2021 was 2.60%.

The SNB Loan Agreement includes certain representations, warranties of SNB Borrowers, as well as events of default and certain affirmative and negative covenants by the SNB Borrowers that are customary for loan agreements of this type. These covenants include restrictions on borrowings, investments and dispositions by SNB Borrowers, as well as limitations on the SNB Borrowers’ ability to make certain distributions. Upon the occurrence and during the continuation of an event of default under the SNB Loan Agreement, SNB may, among other things, declare the loans and all other obligations under the SNB Loan Agreement immediately due and payable and increase the interest rate at which loans and obligations under the SNB Loan

Agreement bear interest. The SNB Credit Facility is secured by a first-priority security interest in substantially all of the assets of the Company and the SNB Borrowers and a pledge of all shares of the SNB Borrowers.

On March 29, 2019, in connection with the Company's entry into the SNB Loan Agreement, Jeffery E. Eberwein, the Executive Chairman of the Company's board of directors, entered into Limited Guaranty Agreement (the "SNB Eberwein Guaranty") with SNB pursuant to which he guaranteed the prompt performance of all the Borrowers' obligations under the SNB Loan Agreement. The SNB Eberwein Guaranty is limited in the aggregate to the amount of (a) \$1.5 million, plus (b) reasonable costs and expenses of SNB incurred in connection with the SNB Eberwein Guaranty. Mr. Eberwein's obligations under the SNB Eberwein Guaranty terminate upon the Company and Borrowers achieving certain milestones set forth therein.

On February 1, 2021, in connection with the closing of the Company's sale of MD Office Solutions, the Company entered into a First Amendment to the SNB Loan Agreement pursuant to which, among other things, Sterling consented to the sale of MD Office Solutions and the Company's name change from Digirad Corporation to Star Equity Holdings, Inc.

On March 31, 2021, in connection with completing the sale of DMS Health, the Company, certain subsidiaries of the Company, and Sterling entered into a Second Amendment to the SNB Loan Agreement pursuant to which, among other things, Sterling consented to the sale of DMS Health and its subsidiaries, removed DMS Health and its subsidiaries as borrowers under the SNB Loan Agreement, and required the principle to be paid down to \$7.0 million.

At June 30, 2021, the Company was in compliance with the covenants under the SNB Loan Agreement.

Construction Loan Agreements

As of June 30, 2021, the Construction division had outstanding revolving lines of credit and term loans of approximately \$4.7 million. This debt includes: (i) \$2.2 million principal outstanding on KBS's \$4.0 million revolving credit facility under a Loan and Security Agreement, dated February 23, 2016, (as amended, the "KBS Loan Agreement"), with Gerber and (ii) \$2.5 million principal outstanding on EBGL's \$3.0 million revolving credit facility under a Revolving Credit Loan Agreement, which was increased from \$3.0 million to \$4.0 million on July 30, 2021. The Construction division was at the maximum borrowing capacity under both revolving lines of credit, based on the inventory and accounts receivable on June 30, 2021 which fluctuates weekly.

KBS Loan Agreement

On February 23, 2016, ATRM, KBS and Main Modular Haulers, Inc. (a former subsidiary of ATRM) entered into a Loan and Security Agreement, (as amended, the "KBS Loan Agreement"), with Gerber. The KBS Loan Agreement provides KBS with a revolving line of credit with borrowing availability of up to \$4.0 million. Availability under the line of credit is based on a formula tied to KBS's eligible accounts receivable, inventory and other collateral. The KBS Loan Agreement, which was scheduled to expire on February 22, 2018, has been automatically extended for successive one (1) year periods in accordance with its terms and is now scheduled to expire on February 22, 2022. The KBS Loan Agreement will be automatically extended for another one (1) year period unless a party thereto provides prior written notice of termination. As of June 30, 2021 neither party has provided notice of termination. Upon the final expiration of the term of the KBS Loan Agreement, the outstanding principal balance is payable in full. Borrowings bear interest at the prime rate plus 2.75%, equating to 6.00% at June 30, 2021, with interest payable monthly. The KBS Loan Agreement also provides for certain fees payable to Gerber during its term, including a 1.5% annual facilities fee and a 0.10% monthly collateral monitoring fee. KBS's obligations under the KBS Loan Agreement are secured by all of its assets and are guaranteed by ATRM. Unsecured promissory notes issued by KBS and ATRM are subordinate to KBS's obligations under the KBS Loan Agreement. The KBS Loan Agreement contains representations, warranties, affirmative and negative covenants, defined events of default and other provisions customary for financings of this type. Financial covenants require that KBS maintain a maximum leverage ratio (as defined in the KBS Loan Agreement) and KBS not incur a net annual post-tax loss in any fiscal year during the term of the KBS Loan Agreement. The borrowings under the KBS Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby certain receipts are swept daily to reduce borrowings outstanding. At June 30, 2021, approximately \$2.2 million was outstanding under the KBS Loan Agreement.

On September 10, 2019, the parties to the KBS Loan Agreement entered into the twelfth amendment to the KBS Loan Agreement (the "Twelfth KBS Amendment"), pursuant to which the Company agreed to guarantee amounts borrowed by certain ATRM's subsidiaries from Gerber.

On January 31, 2020, the Company, ATRM, KBS and Gerber entered into a thirteenth amendment to the KBS Loan Agreement (the "Thirteenth KBS Amendment") to amend the terms of the KBS Loan Agreement, in order to, among other things (a) amend the definitions of "Ancillary Credit Parties," "Guarantor," "Obligations," and "Subordinated Lender" to address the obligations of the Star Borrowers, the EBGL Borrowers, the Star Credit Parties, and the EBGL Credit Parties under the Star Loan Agreement, EBGL Loan Agreement and the Subordination Agreements (each as defined below) to which they are a party and (b) add a new cross default provision.

On March 5, 2020, in connection with the First EBGL Amendment, Gerber, KBS, ATRM and the Company entered into a fourteenth amendment to the KBS Loan Agreement in order to, among other things consent to the First EBGL Amendment and remove cash and cash collateral from the borrowing base.

On April 1, 2020, Gerber and KBS entered into a fifteenth amendment to the KBS Loan Agreement pursuant to which the “Minimum Average Monthly Loan Amount” was decreased to twenty-five percent (25%) of the Maximum Revolving Amount.

On January 5, 2021, Gerber and KBS entered into a sixteenth amendment to the KBS Loan Agreement in order to, among other things, amend certain definitions under the KBS Loan Agreement and to increase the inventory assets against which funds can be borrowed.

On February 26, 2021 Gerber and KBS entered into a seventeenth amendment to the KBS Loan Agreement in order to provide the waiver to the 2020 covenant breach and amended the financial covenants. The financial covenants under the KBS Loan Agreement, as amended, provide that (i) KBS shall make no distribution, transfer, payment, advance, or contribution of cash or property which would constitute a restricted payment as such term is defined in the agreement; (ii) KBS shall report annual post-tax net income at least equal to (a) \$385 thousand for the trailing 6-month period ending June 30, 2021 and (b) \$500 thousand for the trailing fiscal year end December 31, 2021; and (iii) a minimum EBITDA at June 30, 2021 of more than \$880 thousand or at December 31, 2021 of more than \$1.5 million.

On March 31, 2021, the parties to the KBS Loan Agreement amended the KBS Loan Agreement to provide for increased availability under the KBS Loan Agreement to KBS under certain circumstances, including for new equipment additions, and certain other changes, as well as a waiver of certain covenants.

As of June 30, 2021 and December 31, 2020, KBS was not in compliance with the financial covenants requiring no net annual post-tax income for KBS of at least \$385 thousand, during the six months ended June 30, 2021. So long as EBITDA for the year ended December 31, 2021 is at least \$1.5 million, KBS may nevertheless comply with the covenant for the year, but as of June 30, 2021, KBS is not in compliance with the financial requirement requiring EBITDA to equal at least \$880 thousand. The occurrence of any event of default under the KBS Loan Agreement may result in KBS’s obligations under the KBS Loan Agreement becoming immediately due and payable. Subsequently, we obtained a waiver from Gerber for these events.

On July 30, 2021 in connection with the Fourth EBGL Amendment, Gerber, KBS, ATRM and the Company entered into an eighteenth amendment to the KBS Loan Agreement in order to, among other things, (a) confirm the cancellation of certain subordination agreements with Lone Star Value Management, LLC (“LSVM”) and Lone Star Value Co-Invest I, LP (“LSV Co-Invest I”), after the [ATRM notes] were paid by the Company, and (b) amend the terms of the KBS Loan Agreement, including the definitions of “Ancillary and “Subordinated Lender” to include SRE. and remove LSVM and LSV Co-Invest I.

EBGL Premier Note

On June 30, 2017, EdgeBuilder and Glenbrook (together, EBGL) entered into a Revolving Credit Loan Agreement (as amended, the “Premier Loan Agreement”) with Premier providing EBGL with a working capital line of credit of up to \$3.0 million. The Premier Loan Agreement replaced the prior revolving credit facility.

Availability under the Premier Loan Agreement is based on a formula tied to EBGL’s eligible accounts receivable, inventory and equipment, and borrowings bear interest at the prime rate plus 1.50%, with interest payable monthly and the outstanding principal balance payable upon expiration of the term of the Premier Loan Agreement. The Premier Loan Agreement also provides for certain fees payable to Premier during its term. The initial term of the Premier Loan Agreement was scheduled to expire on June 30, 2018, but was extended multiple times by Premier until January 31, 2023. EBGL’s obligations under the Premier Loan Agreement are secured by all of their inventory, equipment, accounts and other intangibles, fixtures and all proceeds of the foregoing.

On January 31, 2020, Glenbrook and EdgeBuilder entered into an Extension and Modification Agreement (the “Modification Agreement”) with Premier that modified the terms of the Revolving Credit Promissory Note made by Glenbrook and EdgeBuilder. The Modification Agreement reduced the outstanding borrowings to \$1.0 million, extended the final maturity date to January 31, 2023, and set the interest rate to at 5.75% per annum. Mr. Eberwein executed a guaranty in favor of Premier, which had been extended through January 1, 2023, under which ATRM and Mr. Eberwein absolutely and unconditionally guaranteed all of EBGL’s obligations under the Premier Loan Agreement.

As of June 30, 2021, all obligations under the Premier Loan Agreement have been repaid in full and no amount remains outstanding. In exchange Premier terminated all of its security interests in the assets of EBGL.

Gerber Star and EBGL Loans

On January 31, 2020, SRE, 947 Waterford Road, LLC (“947 Waterford”), 300 Park Street, LLC (“300 Park”), and 56 Mechanic Falls Road, LLC (“56 Mechanic” and together with SRE, 947 Waterford, and 300 Park, (the “Star Borrowers”), each an Investments Subsidiary, and the Company, ATRM, KBS, EdgeBuilder, and Glenbrook (collectively, the “Star Credit Parties”), entered into a Loan and Security Agreement (as amended, the “Star Loan Agreement”) with Gerber providing the Star Borrowers with a credit facility with borrowing availability of up to \$2.5 million (\$2.0 million and \$0.5 million to KBS and EBGL, respectively) (the “Star Loan”). The advance of \$2.0 million to KBS is to be repaid in monthly installments of sixty (60) consecutive equal payments. The advance of \$0.5 million to EBGL, which has been temporarily increased by \$0.3 million due to be repaid on April 30, 2020, is to be repaid in monthly installments of twelve (12) consecutive equal payments. On February 20, 2020, the Star Borrowers entered into a first amendment to the Star Loan Agreement (the “First Star Amendment”) in order to (i) temporarily advance \$0.3 million to EBGL, which amount is to be repaid to Gerber on or before April 30, 2020; (ii) clarify that Gerber can make multiple advances under the Star Loan Agreement, and (iii) to correct the maturity date of the Star Loan. On April 30, 2020, the Star Borrowers entered into a second amendment to the Star Loan Agreement (the “Second Star Amendment”) to change terms of repayment for the advance of \$0.3 million to EBGL to provide for repayment in three consecutive equal monthly installments, commencing on May 30, 2020, with a final installment on or before July 31, 2020. EBGL paid off approximately \$0.5 million of the advance in 2020 and \$1.2 million was outstanding, net with deferred financing costs, under the Star Loan Agreement as of June 30, 2021.

On January 31, 2020, EdgeBuilder and Glenbrook (the “EBGL Borrowers”), each a Construction subsidiary, and the Company, Star, 947 Waterford, 300 Park, 56 Mechanic, ATRM, and KBS (collectively, the “EBGL Credit Parties”), entered into a Loan and Security Agreement (the “EBGL Loan Agreement”) with Gerber providing the EBGL Borrowers with a credit facility with borrowing availability of up to \$3.0 million (the “EBGL Loan”). On March 5, 2020, the EBGL Borrowers entered into a first amendment to the EBGL Loan Agreement (the “First EBGL Amendment”) with Gerber that amended the EBGL Loan Agreement and the KBS Loan Agreement to include a pledge \$0.3 million of cash collateral by LSVI under the EBGL Loan Agreement which, prior to the First EBGL Amendment, was pledged by LSVI in connection with the KBS Loan Agreement. On July 1, 2020, the EBGL Borrowers entered into a second amendment to the EBGL Loan Agreement to terminate the pledge of \$0.3 million in cash collateral. On February 26, 2021, the EBGL Borrowers entered into a third amendment to the EBGL Loan Agreement (the “Third EBGL Amendment”) pursuant to which the Company and Gerber agreed to, among other things, eliminate the minimum leverage ratio covenant, lower the minimum EBITDA, and require the borrowers to not incur a net operating loss on bi-annual basis. The Third EBGL Amendment also discharged the EBGL Eberwein Guaranty described below. As of June 30, 2021, approximately \$2.5 million was outstanding under the EBGL Loan Agreement.

Availability under the Star Loan Agreement is based on a formula tied to the value of real estate owned by the Star Borrowers, and borrowings bear interest at the prime rate plus 3.5% per annum. Availability under the EBGL Loan Agreement is based on a formula tied to the EBGL Borrowers’ eligible accounts receivable and inventory, and borrowings bear interest at the prime rate plus 2.75% per annum. The Loan Agreements also provide for certain fees payable to Gerber during their respective terms. The Star Loan matures on the earlier of (a) January 1, 2025 or (b) the termination, the maturity or repayment of the EBGL Loan. The EBGL Loan matures on the earlier of (a) January 1, 2022, unless extended, or (b) the termination, the maturity or repayment of the Star Loan. The maturity of the EBGL Loan is automatically extended for successive periods of one (1) year each unless terminated by Gerber or the EBGL Borrowers. The borrowings under the EBGL Loan Agreement were classified as short-term obligations under GAAP as the agreement contained a subjective acceleration clause and required a lockbox arrangement whereby all receipts are swept daily to reduce borrowings outstanding.

The obligations of the EBGL Borrowers under the EBGL Loan Agreement are guaranteed by the EBGL Credit Parties and are secured by substantially all the assets of the EBGL Borrowers and the EBGL Credit Parties. The obligations of the Star Borrowers under the Star Loan Agreement are guaranteed by the Star Credit Parties and are secured by substantially all the assets of the Star Borrowers and the Star Credit Parties. Contemporaneously with the execution and delivery of the Star Loan Agreement, Jeffrey E. Eberwein, the Executive Chairman of the Company's board of directors, executed and delivered a Guaranty (the "Gerber Eberwein Guaranty") to Gerber pursuant to which he guaranteed the performance of all the Star Borrowers' obligations to Gerber under the Star Loan Agreement, including the full payment of all indebtedness owing by the Star Borrowers to Gerber under or in connection with the Star Loan Agreement and related financing documents. Mr. Eberwein's obligations under the Gerber Eberwein Guaranty are limited in the aggregate to the amount of (a) \$2.5 million, plus (b) costs of Gerber incidental to the enforcement of the Gerber Eberwein Guaranty or any guaranteed obligations. On March 5, 2020, contemporaneously with the execution and delivery of the First EBGL Amendment, Mr. Eberwein, the Executive Chairman of the Company's board of directors, executed and delivered a Guaranty (the "EBGL Eberwein Guaranty") to Gerber pursuant to which he guaranteed the performance of all the EBGL Borrowers' obligations to Gerber under the EBGL Loan Agreement, including the full payment of all indebtedness owing by the EBGL Borrowers to Gerber under or in connection with the EBGL Loan Agreement and related financing documents. Mr. Eberwein's obligations under the EBGL Eberwein Guaranty are limited in the aggregate to the amount of (a) \$0.5 million, plus (b) costs of Gerber incidental to the enforcement of the EBGL Eberwein Guaranty or any guaranteed obligations.

On February 26, 2021, the Star Borrowers entered into a third amendment to the Star Loan Agreement (the "Third Star Amendment") with Gerber that, among other things, amended the contract rate to prime rate plus 3% and discharged the \$2.5 million Gerber Eberwein Guaranty.

On July 30, 2021, the Star Borrowers entered into a fourth amendment to the Star Loan Agreement (the "Fourth Star Amendment") with Gerber that, among other things, amended the terms of the Star Loan Agreement, in order to, among other things amend the definitions of (a) "Inventory" to increase the eligible inventory against which Gerber will advance credit, (b) "Maximum Revolving Amount" to increase the line of credit from \$3.0 million to \$4.0 million, (c) "Note" to mean the \$4.0 million promissory note between Gerber and EBGL, and (d) "Subordinated Lender" to include only Star Procurement, Inc., ATRM, and the Company.

The Star Loan Agreement and EBGL Loan Agreement contain representations, warranties, affirmative and negative covenants, events of default and other provisions customary for financings of this type. The financial covenants under the EBGL Loan Agreement applicable to the EBGL Borrowers include maintenance of a minimum tangible net worth, a minimum debt service coverage ratio and minimum net income. The Financial covenants under the Star Loan Agreement applicable to the Star Borrowers include a minimum debt service coverage ratio. The occurrence of any event of default under the Loan Agreements may result in the obligations of the Borrowers becoming immediately due and payable. As of June 30, 2021, EBGL was not in compliance with the financial covenants under the Star Loan Agreement and EBGL Loan Agreement. The occurrence of any event of default under the EBGL Loan Agreement may result in EBGL's obligations under the EBGL Loan Agreement becoming immediately due and payable. In July, 2021, we obtained a waiver from Gerber for these events and, as part of the Fourth EBGL Amendment (described above).

As a condition to the extension of credit to the Star Borrowers and EBGL Borrowers under the Star Loan Agreement and EBGL Loan Agreement, the holders of certain existing unsecured promissory notes made by ATRM and certain of its subsidiaries entered into subordination agreements (the "Subordination Agreements") with Gerber pursuant to which such noteholders (including the Company and certain of its subsidiaries) agreed to subordinate the obligations of ATRM and its subsidiaries to such noteholders to the obligations of the Star Borrowers and EBGL Borrowers to Gerber under the loan agreements.

Paycheck Protection Program

From April 2020 through May 2020, the Company and its subsidiaries received \$6.7 million, of loans under the Paycheck Protection Program ("PPP"). Total PPP loans received the Construction division and Healthcare division were \$5.5 million and \$1.2 million, respectively.

The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). PPP loans for the Construction and Healthcare division were made through Bremer Bank and Sterling as lenders, respectively.

The PPP loans have two-year terms and bear interest at a rate of 1.00% per annum. Monthly principal and interest payments under the PPP loans are deferred for ten months, after the end of covered periods. The PPP loans may be prepaid at any time prior to maturity with no prepayment penalties.

The promissory notes issued in connection with the PPP loans (the “PPP Notes”) contain customary events of default relating to, among other things, payment defaults, making materially false and misleading representations to the SBA or lender, or breaching the terms of the applicable PPP loan documents. Upon an event of default under a PPP Note, the lender thereunder may, among other things, require immediate payment of all amounts owing under the applicable PPP Note, collect all amounts owing from the applicable borrower, or file suit and obtain judgment.

Under the terms of the CARES Act, recipients of loans under the PPP can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. Even if forgiveness is granted the PPP loans may remain subject to review and audit for up to six (6) years.

During Q4 2020 and January 2021, the Company applied for forgiveness on all PPP loans. As of Q4 2020, \$2.5 million of the Healthcare division PPP Notes were forgiven. During Q2, 2021, all amounts under the Construction division and Healthcare division PPP Notes were forgiven. As of June 30, 2021, the Company has no PPP loans outstanding.

Off-Balance Sheet Arrangements

On September 10, 2019, the parties to the KBS Loan Agreement entered into the Twelfth KBS Amendment pursuant to which the Company agreed to guarantee amounts borrowed by certain of ATRM’s subsidiaries from Gerber. The Twelfth KBS Amendment requires the Company to serve as an additional guarantor with the existing guarantor, ATRM, with respect to the payment, performance and discharge of each and every obligation of payment and performance by the borrowing subsidiaries with respect to the loans made by Gerber to them. On January 31, 2020, the Company, ATRM, KBS and Gerber entered into the Thirteenth KBS Amendment, in order to, among other things (a) amend the definitions of “Ancillary Credit Parties,” “Guarantor,” “Obligations,” and “Subordinated Lender” to address the obligations of the Star Borrowers, the EBGL Borrowers, the Star Credit Parties, and the EBGL Credit Parties under the Star Loan Agreement, the EBGL Loan Agreement and the Subordination Agreements to which they are a party and (b) add a new cross default provision. On April 1, 2020, Gerber and KBS entered into a Fifteenth KBS Amendment pursuant to which the “Minimum Average Monthly Loan Amount” under the KBS Loan Agreement was decreased to twenty-five percent (25%) of the Maximum Revolving Amount (as defined in the KBS Loan Agreement). See Note 8, *Debt*, within the notes to our unaudited consolidated financial statements for further detail.

On June 5, 2020, the Company entered into a Guaranty Agreement (the “Tocci Guaranty”) with Tocci Building Corporation (“Tocci”) pursuant to which the Company irrevocably guaranteed all the obligations of KBS under a certain Subcontract Agreement by and between Tocci and KBS in the event of a material breach by KBS under the Subcontract. The Company’s liability under the Tocci Guaranty is limited to \$2.0 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the “Exchange Act”) reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our executive chairman and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As further discussed below, we carried out an evaluation, under the supervision and with the participation of our management, including our executive chairman and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Due to the existence of the material weaknesses as described below, our executive chairman and chief financial officer concluded that our disclosure controls and procedures were not effective as of June 30, 2021.

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020 due to the material weaknesses as described below.

A “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified material errors in the accounting for debt classification which resulted in the restatement of previously issued consolidated financial statements. These errors resulted from a material weakness related to ineffectively designed controls over review of contracts for new debt agreements and the proper application of GAAP for such agreements.

Plan for Remediation of the Material Weakness in Internal Control Over Financial Reporting

The Company has developed a remediation plan which includes, but is not limited to, a more detailed review over debt contracts and the proper application of GAAP.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control over Financial Reporting

Other than in connection with implementing a plan to remediate the material weakness described above, there has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 9, *Commitments and Contingencies*, within the notes to our unaudited consolidated financial statements for a summary of legal proceedings.

ITEM 1A. RISK FACTORS

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, as well as the risk factors disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which we filed with the SEC on March 29, 2021. The risks and uncertainties described in “Item 1A - Risk Factors” of our Annual Report on Form 10-K have not materially changed. Any of the risks discussed in this Quarterly Report on Form 10-Q or any of the risks disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Holders of shares of the Company Preferred Stock are entitled to receive, when, as and if authorized by the Company's board of directors (or a duly authorized committee of the Company's board of directors) and declared by the Company out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 10.0% per annum of the liquidation preference of \$10.00 per share. Dividends are payable quarterly, in arrears, on the last calendar day of March, June, September and December to holders of record at the close of business on the first day of each payment month. As of the date of this Quarterly Report on Form 10-Q, the total arrearage of cash dividends due on the Company Preferred Stock is \$3.0 million.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On August 4, 2021, the Board of Directors (the "Board") of Star Equity Holdings, Inc. (the "Company") approved and adopted the Company's 2021 Executive Incentive Bonus Plan (the "2021 Executive Incentive Plan") on the recommendation of the Compensation Committee of the Board (the "Compensation Committee").

Base Salary

As part of the adoption of the 2021 Executive Incentive Plan, the Compensation Committee determined to not make any changes at that time to the annual base salaries of the Company's executive officers.

Cash Bonus

Target cash bonus payouts for Matthew G. Molchan, President and CEO of Digirad Health, Inc., and Martin B. Shirley, President of Digirad Imaging Services, shall be \$224,208 and \$130,000, respectively.

For each executive officer, the amount of total cash bonus payable under the 2021 Executive Incentive Plan will be based on performance above a target measure of consolidated Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") for fiscal 2021 (the "Threshold Measure"), subject to other provisions of the 2021 Executive Incentive Plan. Payouts under the 2021 Executive Incentive Plan are calculated and earned after the Company achieves the Threshold Measure. Once the Threshold Measure is met, the cash bonuses are calculated based on EBITDA amounts achieved above the Threshold Measure. No bonuses are paid to executive officers under the 2021 Executive Incentive Plan if the Threshold Measure is not achieved. Upon meeting the Threshold Measure, each such executive shall receive 50% of their target bonuses, with a maximum percentage of up to 150% of their target bonus based on achievement above the Threshold Measure.

The actual cash bonuses payable (if any) for the achievement of such objectives will be determined by the Compensation Committee, and will be payable upon the completion of the financial audit of the consolidated financial statements.

The cash bonus targets for our named executive officers, pursuant to the 2021 Executive Incentive Plan, were approved by the Board after being reviewed by the Compensation Committee and recommended for Board approval.

Bonuses for Messrs. Eberwein, Executive Chairman, and Noble, Chief Operating Officer and Chief Financial Officer shall be discretionary and subject to Board approval after review by the Compensation Committee.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	<u>Second Amendment to Loan and Security Agreement, Consent and Release, dated March 31, 2021, by and among Digirad Health, Inc., Digirad Imaging Solutions, Inc., DMS Health Technologies, Inc., DMS Imaging, Inc., DMS Health Technologies-Canada, Inc., Project Rendezvous Holding Corporation, Project Rendezvous Acquisition Corporation, Digirad Diagnostic Imaging, Inc., Star Equity Holdings, Inc., and Sterling National Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 1, 2021).</u>
10.2	<u>Certificate of Designation of Series C Participating Preferred Stock of Star Equity Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
10.3	<u>Rights Agreement, dated as of June 2, 2021, by and between Star Equity Holdings, Inc. and American Stock Transfer & Trust Company, LLC, as Rights Agent. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2021).</u>
10.4*	<u>Waterford Sale Agreement, dated June 9, 2021, by and between 947 Waterford Road, LLC, and Barnum Holdings, LLC.</u>
10.5*	<u>Gerber KBS Eighteenth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., KBS Builders, Inc., ATRM Holdings, Inc., and Star Equity Holdings, Inc.</u>
10.6*	<u>Star Real Estate Holdings USA, Inc. Subordination Agreement, dated July 30, 2021, among Star Real Estate Holdings USA, Inc. and Gerber Finance Inc.</u>
10.7*	<u>Star Equity Holdings Inc. Amended and Restated Subordination Agreement, dated July 30, 2021, by and among Star Equity Holdings, Inc., and Gerber Finance Inc.</u>
10.8*	<u>Gerber EBGL Fourth Amendment to Loan and Security Agreement, dated July 30, 2021, by and among Gerber Finance Inc., EdgeBuilder, Inc., and Glenbrook Building Supply, Inc.</u>
10.9*	<u>Gerber EBGL Amended and Restated Promissory Note, dated July 30, 2021, by and among EdgeBuilder, Inc., and Glenbrook Building Supply, Inc.</u>
31.1*	<u>Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended.</u>
31.2*	<u>Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended.</u>
32.1**	<u>Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Star Equity Holdings, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

Date: August 10, 2021

STAR EQUITY HOLDINGS, INC.

By: /s/ JEFFREY E. EBERWEIN

Jeffrey E. Eberwein
Executive Chairman
(Principal Executive Officer)

/s/ DAVID J. NOBLE

David J. Noble
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

CONTRACT FOR THE SALE OF COMMERCIAL REAL ESTATE

THIS AGREEMENT (the "Contract") made as of this 9th day of June, 2021 (the "Effective Date") by and between **947 WATERFORD ROAD, LLC**, a Delaware limited liability company, having a business mailing address of 53 Forest Avenue, Old Greenwich, CT 06870 (the "Seller") and **BARNUM HOLDINGS, LLC**, a Maine limited liability company, having a business mailing address of PO Box 718 Camden, Maine 04843, its nominees, successors, and assigns (the "Purchaser").

1. PREMISES: A certain lot or parcel of land being approximately 23 acres with the ~61,850 square foot building situated thereon known as 947 Waterford Road, in the Town of Waterford, Oxford County, and State of Maine, being more particularly described in Exhibit A attached hereto, together with any fixtures and other items of real property situated thereon (collectively the "Premises"), described as follows:
 - a. Municipal Reference: Map 37, Block C, Lot 10.
 - b. Title Reference: Deed dated April 2, 2019 and recorded in the Oxford County Registry of Deeds in Book 5456, Page 865.
 - c. Personal Property and Fixtures. All items of personal property and fixtures located at the premises and owned by Seller including but not limited to: __, shall be included in this sale. Purchaser and Seller agree that no portion of the Purchase Price, defined below, shall be attributable to any personal property or Fixtures.
2. PURCHASE PRICE: The total Purchase Price is One Million Two Hundred Thousand and 00/100 Dollars (\$1,200,000.00), with payment made as follows:
 - a. Earnest money deposit to be delivered upon signing: \$10,000.00 (the "Deposit");
 - b. Upon Closing, Purchaser shall pay One Million One Hundred Ninety Thousand and 00/100 Dollars (\$1,190,000.00), plus or minus any net closing adjustments, by wire transfer of immediately available funds.
3. DEPOSIT/ACCEPTANCE: The Deposit shall be held by Perkins Thompson, with a mailing address of P.O. Box 426, Portland, Maine 04112 (the "Escrow Agent"), in its IOLTA account. Payment of the Deposit shall be in the form of cashier's check or wiring of funds to a bank account defined by the Escrow Agent. In the event of Seller's non-acceptance of this offer, the Deposit shall be returned promptly to Purchaser.
4. TITLE: Within **forty-five (45)** days of the Effective Date (the "Title Review Period"), Purchaser shall notify Seller in writing (the "Title Objection Notice") of any matters related to or affecting title to the Premises that are objectionable to Purchaser in Purchaser's sole discretion ("Title Defects"). Purchaser shall be deemed to have waived the right to object to any matter affecting title, if Purchaser fails to specifically identify such matters in the Title Objection Notice (each matter not objected to being deemed a "Permitted Encumbrance"). Within seven (7) days of Seller's receipt of the Title Objection Notice, Seller may, but shall not be obligated to, undertake to cure any of the matters identified in the Title Objection Notice. Seller shall provide Purchaser with written notice of such election within such seven (7) day period. In the event that seller elects to undertake to cure such Title Defects, Seller shall have a period of not more than forty-five (45) days after notice of Seller's election within which to cure any such Title Defects (the "Title Cure Period"), and the Closing Date shall be extended until five

(5) days after the expiration of the Title Cure Period. Seller agrees that after the Effective Date it shall not permit or suffer encumbrance of the Premises with any liens, easements, leases or other encumbrances without Purchaser's prior written consent, except that Purchaser shall not unreasonably withhold, condition or delay its consent to new leases. On or before the Closing Date, Seller shall

remove at its sole cost any such matters affecting the title to the Premises suffered or created by or consented to by Seller after the Effective Date that are not approved in writing by Purchaser. If Title Defects are not cured within the Title Cure Period, then Purchaser shall elect, by written notice to Seller on or before the Closing Date, as the same may be extended, either (i) to accept title to the Premises subject to such uncured Title Defects, in which case such Title Defects shall be Permitted Encumbrances, or (ii) to terminate this Contract, whereupon the Deposit shall be returned immediately to Purchaser and neither party shall have any further obligations under this Contract.

5. **DEED:** In return for payment in full of the purchase price, Seller shall convey the Premises to the Purchaser pursuant to Section 4 above on [insert date that is 75 days from execution of Contract] (the "Closing Date") by a Maine Statutory Short-Form Quitclaim Deed With Covenant (the "Deed"). The Deed shall contain the following restrictive covenant: for a period of five (5) years, the Premises shall not be used for the manufacture, production, or sale of modular buildings of any type, or wall panels of any type. The exact language of this deed restriction shall be agreed upon by the parties prior to Closing. The parties agree to execute and deliver on the Closing Date such other documents that are customary and/or reasonably necessary to complete the conveyance. It is a condition to Purchaser's obligations hereunder that title to the Premises shall be free and clear of all liens and encumbrances except for the following matters and otherwise in compliance with the requirements of this Contract:
(i) zoning restrictions and land use laws and regulations and permits and approvals issued pursuant thereto; (ii) current taxes and assessments attributable to periods from and after the Closing, which Purchaser shall be liable to pay; and (iii) leases and occupancies disclosed to Purchaser pursuant to Section 11 below; and (iv) any Permitted Encumbrance, which shall include easement rights if any affecting the Premises.
 - a. At the Closing, Seller shall deliver to Purchaser the following documents:
 - i. duly executed Deed;
 - ii. duly executed affidavit of title in form reasonably acceptable to the Title Insurer;
 - iii. duly executed FIRPTA Affidavit of Seller;
 - iv. all keys and security codes, if any, to the Premises;
 - v. documentation to establish the due authorization of Seller's execution and delivery of all documents contemplated by this Contract; and
 - vi. such other documents and instruments as Purchaser or the Title Insurer may reasonably request to consummate the transactions contemplated by this Contract.
6. **LEASE OF PREMISES:** Purchaser and Seller will enter into a sublease (the "Sublease") of the Premises in the form attached hereto as Exhibit B, pursuant to which Purchaser shall lease the Premises from Seller's tenant, with Seller's consent, through October 31, 2021. Rent paid by Buyer pursuant to the Sublease shall be credited toward the Purchase Price.
7. **POSSESSION/OCCUPANCY:** Possession/occupancy of Premises shall be given to Purchaser on the Closing Date, unless otherwise agreed to by both parties in writing.

8. RISK OF LOSS: Until transfer of title, the risk of loss or damage to the Premises by fire or otherwise is assumed by Seller. The Premises shall at closing be in substantially the same condition as at present, excepting reasonable use and wear. If the Premises is materially damaged or destroyed prior to closing, Purchaser may either terminate this Contract and be refunded the Deposit, or close this transaction and accept the Premises in its as-is condition together with an assignment of the Seller's right to any insurance proceeds relating thereto.
9. PRORATIONS: The following items shall be prorated as of the date of closing:
 - a. Real Estate Taxes based on the municipality's tax year. Seller is responsible for any unpaid taxes for prior years;
 - b. Natural gas;
 - c. Metered utilities, such as water and sewer, shall be paid by the Seller through the date of closing;
 - d. Purchaser and Seller shall each pay one-half of the transfer tax as required by the laws of the State of Maine in accordance with 36 M.R.S.A. § 4641-A.; and
 - e. Rents and all other additional revenue received by Seller pursuant to leases of the Premises.
10. DUE DILIGENCE: Purchaser is advised to seek information from professionals regarding any specific issue of concern. Purchaser's obligation to close under this Contract is subject to Purchaser's satisfaction, in its sole discretion, with its investigations of the Premises, which may without limitation include survey, environmental assessment (Phase I), operating expenses, engineering studies including structural engineering building and construction plans, studies, soil studies, zoning compliance or feasibility confirmation of building square footage, and code compliance within **forty-five (45)** days of the Effective Date (the "Due Diligence Period").

Within five (5) days of the Effective Date, Seller shall provide Purchaser with copies of all title reports, owner's and lender's title insurance policies, surveys, site plan approvals, structural and engineering studies, environmental reports and all other materials in Seller's possession regarding the Premises which may be helpful to Purchaser in evaluating whether to purchase the Premises. The Closing Date referenced in Section 5 hereof and Due Diligence Period referenced in this Section 10 shall be extended one (1) day for every day of delay beyond said five (5) day period that Seller takes to deliver the aforesaid documents to Purchaser.

Purchaser, its agents and representatives, shall be entitled to enter the Premises during normal business hours and upon reasonable prior notice to Seller to perform such inspections. Purchaser shall, and does hereby covenant and agree, to repair any and all damage caused by the activities of Purchaser or its agents on the Premises, to return the Premises to their original condition, and to indemnify, defend, and hold Seller harmless from and against any actions, suits, liens, claims, damages, expenses, losses, and liabilities arising out of such entry by Purchaser or its agents (including without limitation any rights or claims of materialmen or mechanics to liens on the Premises). Purchaser shall maintain and shall cause its representatives and agents conducting any due diligence to maintain and have in effect commercial general liability insurance with limits of not less than one million dollars (\$1,000,000.00) per occurrence for personal injury, including bodily injury and death, and property damage. Purchaser shall deliver to Seller a certificate of insurance in form and substance acceptable to Seller evidencing the required insurance before the commencement of any inspections.

All investigations will be done by professionals chosen and paid for by Purchaser. If the result of any investigation is unsatisfactory to Purchaser, in Purchaser's sole discretion, Purchaser may declare the Contract null and void by notifying Seller in writing within the Due Diligence Period, and the Deposit shall be immediately returned to Purchaser. If Purchaser does not notify Seller that Purchaser's

investigations are unsatisfactory within the Due Diligence Period, this contingency shall be deemed waived by Purchaser. In the absence of inspection mentioned above, Purchaser is relying completely upon Purchaser's own opinion as to the condition of the Premises. Purchaser agrees to restore any disturbance to the Premises caused by Purchaser's investigations.

11. REPRESENTATIONS AND WARRANTIES OF SELLER. As an inducement to Purchaser to enter into this Contract, Seller hereby represents and warrants to Purchaser that:

- a. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware. Seller has the power and authority to enter into this Contract and to consummate the transactions contemplated herein. The execution and delivery of this Contract by Seller and the performance of Seller's obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or other instrument to which Seller is a party or by which Seller or the Premises is bound.
- b. To the best of Seller's knowledge, as of the Effective Date, the execution, delivery and performance of this Contract by Seller and the consummation of the transactions contemplated hereby in the manner contemplated herein will not violate any provision of law, statute, rule or regulation to which Seller or the Premises is subject or violate any judgment, order, writ, injunction or decree of any court applicable to Seller or the Premises.
- c. Seller has not entered into any agreement (written or oral), other than consenting to the Sublease, granting any rights of possession to any third party, and Seller has not executed any other agreement of sale, option agreement or right of first refusal with respect to the Premises that has not been effectively terminated as of the Effective Date. Seller is and as of the Closing Date will be in possession of the Premises, free of any tenancies and rights of third parties.
- d. All proceedings required to be taken by or on behalf of Seller to authorize it to make, deliver and carry out the terms of this Contract have been taken and this Contract is the legal, valid and binding obligation of Seller enforceable in accordance with its terms.
- e. To the best of Seller's knowledge, there are no proceedings at law or in equity before any court, grand jury, administrative agency or other investigative agency, bureau or instrumentality of any kind pending or threatened, against or affecting Seller or the Premises that (i) involve the validity or enforceability of this Contract or any other instrument or document to be delivered by Seller pursuant hereto, (ii) enjoin or prevent or threaten to enjoin or prevent the performance of Seller's obligations hereunder or (iii) relate specifically to the Premises (including, without limitation, the environmental condition of the Premises) or the title thereto.
- f. Seller is not a "foreign person" under the Foreign Investment in Real Property Tax Act of 1980, Section 1445 of the Internal Revenue Code of 1986, as amended.
- g. To the best of Seller's knowledge, as of the Effective Date, Seller has not received any written notice of any pending condemnation of the Premises or any portion thereof, or any change in any law, ordinance or regulation that would materially affect the Premises or the use thereof.
- h. All sums payable by reason of any labor or materials heretofore furnished with respect to the Premises at Seller's direction have been, or in the ordinary course of business prior to the Closing Date will be, paid, and Seller is not aware of any material dispute in connection therewith.
- i. Intentionally omitted.

- j. Seller has not received any written notice from any governmental agency, entity, department or authority having jurisdiction over the Premises, that the Premises does not comply with any applicable federal, state, county or municipal laws, ordinances, rules or regulations, and Seller has not received any written notice from any insurance company or inspection or rating bureau setting forth any requirements as a condition to the continuation of any insurance coverage with respect to the Premises or the continuation thereof at premium rates existing at present.
 - k. Seller is not in the hands of a receiver nor is an application for the appointment of a receiver pending. Seller has not made an assignment for the benefit of creditors or filed, or had filed against it, any petition in bankruptcy.
 - l. The truth, accuracy and completeness of each of the representations and warranties of Seller as of the date hereof, and as of the Closing Date, shall constitute a condition precedent to the obligations of Purchaser hereunder. Each such representation and warranty shall survive the Closing Date for a period of twelve (12) months.
 - m. Notwithstanding the above representations and warranties, Section 11(a), 11(c), and 11(d) are qualified in their entirety by any requirements the Seller may be required to fulfill by the current lien holder of the Premises and Seller's lender, whose consent and release will be immediately sought by the Seller in order to comply with Section 13 hereof.
12. REPRESENTATIONS AND WARRANTIES OF PURCHASER. As an inducement to Seller to enter into this Contract, Purchaser hereby represents and warrants that:
- a. Purchaser is a limited liability company duly organized and validly existing under the laws of the State of Maine, is in good standing, has the power and authority to enter into this Contract and to consummate the transactions herein contemplated and the execution and delivery hereof and the performance by Purchaser of its obligations hereunder will not violate or constitute an event of default under the terms or provisions of any agreement, document or other instrument to which Purchaser is a party or by which it is bound.
 - b. The execution, delivery and performance of this Contract by Purchaser and the consummation of the transactions contemplated hereby in the manner contemplated herein will not violate any provision of law, statute, rule or regulation to which Purchaser is subject or violate any judgment, order, writ, injunction or decree of any court applicable to Purchaser.
 - c. Purchaser has not relied upon any warranties not set forth in or incorporated into this contract or otherwise made in writing.
 - d. There are no actions, suits, claims, investigations, or other legal proceedings pending or to Purchaser's knowledge threatened against Purchaser that seek to challenge or prevent, enjoin, or otherwise delay the transaction contemplated by this Contract.
13. OTHER COVENANTS AND AGREEMENTS OF SELLER AND PURCHASER.
- a. No Liens or Encumbrances. Seller agrees that it will not create, suffer or permit to be created, and that it will promptly remove or discharge, any liens or encumbrances against the Premises arising subsequent to the date of this Contract.
 - b. Legal Requirements. Seller will, prior to the closing of title, promptly (a) comply with, and cure any violations of, all legal requirements relating to the Premises; (b) comply with all instruments of record affecting the Premises in accordance with the provisions thereof and within the time

period permitted thereby; and (c) comply with all requirements of any insurance company insuring the Premises.

- c. Maintenance of Property. Seller will cause the Premises to be maintained in substantially the same condition as now maintained and will operate the Premises in substantially the same manner as it has heretofore operated the same; will not enter into any construction, management, maintenance or service contracts which might become the obligation of Purchaser; and will promptly inform Purchaser in writing of any material event adversely affecting the ownership, use, occupancy, operation or maintenance of the Premises, whether or not insured against.
- d. Contracts. Seller shall not enter into any contracts or agreements related to the operation or maintenance of the Premises except in good faith and in the ordinary course of business and which provide that same may be terminated prior to Closing.
- e. Insurance. Seller will cause extended coverage, fire and public liability insurance covering the Premises to be maintained in full force and effect as heretofore maintained by it.
- f. Change in Representations and Warranties. Each party shall notify the other promptly upon obtaining knowledge of any material change in any of such party's representations and warranties contained in Section 11 or Section 12, as applicable.
- g. Lease Transactions. Between the date hereof and the Closing Date, Seller shall not cause to be entered into any amendment, renewal, modification, extension, or termination of the Sublease.
- h. Performance of Obligations. Seller will promptly (i) comply with all obligations of the landlord under the Sublease and the terms of any agreement encumbering the Premises, and (ii) promptly upon obtaining knowledge thereof, notify Purchaser of any default by Seller or any tenant under the Lease or by Seller under any of the agreements encumbering the Premises.

14. INTENTIONALLY OMITTED.

15. FINANCING CONTINGENCY. The obligation of Purchaser to purchase the Premises from Seller, and to perform the obligations required to be performed by Purchaser at the Closing, are subject to the following condition ("Financing Contingency"): Seller acknowledges Purchaser is planning on financing the acquisition of the Premises and that Purchaser's obligations hereunder are contingent upon Purchaser obtaining approval for a loan on commercial reasonable terms acceptable to Purchaser within Purchaser's sole discretion (the "Financing Contingency") prior to 5:00 pm Eastern Time on the date that is forty-five (45) days following the Effective Date, (the "Financing Period"). Purchaser shall provide to Seller within twenty-one (21) days from the Effective Date a letter from Purchaser's lender indicating conditional commitment to finance the acquisition of the Premises. Only in the event Purchaser has not obtained final approval from its lender to finance the acquisition of the Premises as of the expiration of the Financing Period, then Purchaser shall have the right to terminate this Contract by delivering written notice to Seller and Escrow Agent prior to the expiration of the Financing Period (the "Financing Disapproval Notice"), in which event: (i) this Contract shall terminate immediately;
- (ii) the Deposit will be returned to Purchaser; and (iii) thereafter, neither Purchaser nor Seller shall have any further rights or obligations under the Contract, except those liabilities or obligations that expressly survive termination of this Contract. If Purchaser does not deliver a Financing Disapproval Notice prior to the expiration of the Financing Period, Purchaser will be deemed to have waived the Financing Contingency, in which event the parties shall proceed to Closing and the Deposit shall be non-refundable to Purchaser. Provided however, in the event Purchaser provides written notice to

Seller prior to the expiration of the Financing Period, which said notice indicates that Purchaser has not received a completed appraisal of the Premises or other investigation required by its lender, and Purchaser delivers to Escrow Agent an additional deposit in the amount of Ten Thousand and 00/100 Dollars (\$10,000.00), then Seller shall provide Purchaser with a thirty (30) day extension of the Financing Period, or such longer duration as may be reasonably necessary to account for delays in the completion lender requirements by third parties which are outside the Purchaser's control.

16. **CONDITION OF PROPERTY.** The Premises to be conveyed shall be in their "as is" condition. Except as may be expressly set forth herein, seller is making no representations or warranties concerning the condition of the Premises, including, without limitation, the physical condition thereof, or the suitability of the Premises for their current use or Purchaser's proposed use. Purchaser expressly

agrees that the Premises are being sold "as is, where is," with all faults, and that Purchaser is relying solely on its own opinions and the opinions of Purchaser's agents and consultants as to the condition of the Premises and the suitability of the Premises for their current use and Purchaser's proposed use. Purchaser does hereby forever release Seller of and from any and all claims, causes of action, liability for contribution, and all other liabilities arising out of the condition of the Premises, including without limitation the suitability of the Premises for their current use or Purchaser's proposed use, except those that result from Seller's gross negligence or fraudulent misrepresentation. Purchaser shall be responsible for securing all permits, licenses, and approvals necessary for its use, development, occupancy and/or operation of the Premises.

17. **AGENCY DISCLOSURE:** The parties agree that they have dealt with each other in connection with this transaction and not through any real estate broker, investment banker, person, firm or entity, who would by reason of such dealings be able to claim a real estate brokerage, business opportunity brokerage, finder's fee or other compensation as the procuring cause of this transaction other than Douglas Erickson of SVN The Masiello Group ("Purchaser's Broker") and Thomas Dunham of NAI The Dunham Group (the "Seller's Broker"). Each of the parties agrees to indemnify the other and hold the other harmless of and from any and all loss, cost, damage, injury or expense arising out of, or in any way related to, assertions, by any other person, firm or entity of a claim to real estate brokerage, business opportunity brokerage or finder's fee based on alleged contacts between the claiming party and the indemnifying party which have resulted in allegedly providing a broker or finder with the right to claim such commission or finder's fee. The provisions of this Section 17 will survive the Closing. At Closing, Purchaser shall pay commissions in the amount of three percent (3%) of the Purchase Price to each of Seller's Broker and Purchaser's Broker. In the event this Contract is terminated prior to Closing for any reason, no commission will be due to the brokers.

18. **DEFAULT:**

- a. Default by Purchaser. If the sale of the Premises as contemplated hereunder is not consummated solely by reason of Purchaser's default hereunder, provided that Seller is then ready, willing and able to consummate the sale of the Premises as contemplated by this Contract, and such default remains uncured for ten (10) days after Seller's notice to Purchaser thereof, Seller shall, as its sole and exclusive remedy hereunder, be entitled to terminate this Contract and receive the Deposit as liquidated damages for the breach of this Contract, it being agreed between the parties that the actual damages to Seller in the event of such breach are difficult to ascertain and/or prove and the Deposit is a reasonable estimate and forecast of such actual damages. The parties acknowledge that the payment of the Deposit is not intended as a forfeiture or penalty, but is intended to constitute liquidated damages to Seller. Seller hereby waives and releases any right to seek damages (direct or consequential) or specific performance against Purchaser.

- b. Default by Seller. If the sale of the Premises as contemplated hereunder is not consummated solely by reason of Seller's default hereunder, provided that Purchaser is then ready, willing and able to consummate the sale of the Premises as contemplated by this Contract, Purchaser shall be entitled to either (a) seek specific performance from Seller (provided that Purchaser files such action within sixty (60) days of the Closing Date, after which the right of specific performance shall be deemed waived), or (b) terminate this Contract by delivery of written notice to Seller, in which event (i) Purchaser shall be entitled to the return of the Deposit, (ii) Seller shall reimburse Purchaser for the reasonable, documented out-of-pocket costs and expenses actually incurred by Purchaser in connection with the transactions contemplated by this Contract; *provided, however*, that such reimbursement obligation will in no event exceed Twenty Five Thousand and 00/100 Dollars (\$25,000.00) in the aggregate, and (iii) thereafter neither party shall have any further rights or obligations regarding this Contract other than the those that expressly survive termination of this

Contract. Notwithstanding the foregoing, in the event the remedy of specific performance is not available to Purchaser because Seller has willfully sold the Premises to a third-party in breach of this Contract, Purchaser shall be entitled to pursue any and all remedies available to it at law and/or equity.

- c. The Escrow Agent shall be obligated to perform only such duties as are specifically set forth herein or provided for in this Contract. The Escrow Agent shall not be liable for any action taken, omitted or suffered by it in good faith and reasonably believed by it to be authorized or within the discretion or powers conferred upon it by this Contract, and may conclusively rely upon and shall be protected in acting or refraining from acting in reliance upon written advice of its counsel or upon any certificate, request or other document reasonably believed by it to be genuine and to have been signed and presented by the both parties to this Contract in accordance with the provisions hereof, Escrow Agent shall have no responsibility for any amount of interest earned or not earned on the Deposit. In the event that the Escrow Agent shall be uncertain as to its duties or actions under this Contract or shall receive instructions from the Purchaser or the Seller which, in the opinion of the Escrow Agent, are in conflict with any of the provisions of this Contract, Escrow Agent shall be entitled to: (i) continue to hold the Deposit and may decline to take any further action until the Escrow Agent receives joint written direction from the Purchaser and the Seller directing the delivery of the Deposit, in which case the Escrow Agent shall then deliver the same in accordance with said direction; (ii) in the event of litigation between the Purchaser and the Seller over the Deposit, the Escrow Agent may deliver the Deposit to the clerk of any court in which said litigation is pending; or (iii) the Escrow Agent may deliver the Deposit to a court of competent jurisdiction and therein commence an action for interpleader. Purchaser and Seller, jointly and severally, shall indemnify Escrow Agent for all costs, losses, expenses, and damages, including reasonable attorneys' fees, incurred by the Escrow Agent in connection with said action and/or in connection with any dispute relating to this Contract and/or the Deposit.
19. **ALTERNATIVE DISPUTE RESOLUTION.** In the event of a dispute between the parties to this Contract For the Sale of Commercial Real Estate, the parties shall in good faith enter into some form of mutually agreeable alternative dispute resolution within sixty (60) calendar days from the date of written notice outlining the dispute being received by either party from the other of the existence of any such dispute. Both parties agree to deal in good faith prior to filing any litigation and to use all reasonable and expeditious efforts to resolve such dispute without litigation.
20. **NOTICES:** All notices or other communications required or permitted to be given hereunder must be given in writing and delivered personally or mailed, certified or registered mail, postage prepaid, or

by a reputable overnight delivery service, or sent by e-mail (provided that the original notice or demand is also delivered by next day overnight delivery service) addressed as follows:

If to Purchaser: Barnum Holdings, LLC
c/o Evan Coleman

With Copy to: Thomas E. Schoening III, Esq.
Drummond & Drummond, LLP One Monument
Way
Portland, ME 04101

If to Seller: 947 Waterford Road, LLC

Attn: David Noble 53 Forest Avenue
Old Greenwich, CT 06870

With a copy to: Julianne C. Ray, Esq.
Perkins Thompson
One Canal Plaza, PO Box 426 Portland, ME
04112-0426

The foregoing addresses may be changed or supplemented by written notice given as above provided. Any such notice sent by mail will be deemed to have been delivered by the addressee on the third (3rd) business day after posting in the United States mail, or, if transmitted by overnight delivery service, on the first (1st) business day after transmittal, or, if delivered personally, on the date of delivery. A notice sent via e-mail will be deemed to be delivered when sent. Counsel for a party may give notice to the other party with the same effect as if given by a party.

21. MISCELLANEOUS

- a. Prior Statements. This Contract sets forth the entire agreement between the parties, and there are no other representations, agreements or understandings with respect to the subject matter of this Contract. This Contract shall be construed according to the laws of the State of Maine.
- b. Heirs/Assigns. This Contract shall extend to and be obligatory upon heirs, personal representatives, successors, and assigns of Seller and Purchaser.
- c. Counterparts. This Contract may be signed on any number of identical counterparts, including telefax copies and electronically transmitted copies with the same binding effect as if all of the signatures were on one instrument.
- d. Effective Date. This Contract is a binding contract when signed by both Seller and Purchaser and when that fact has been communicated to all parties or to their agents. Time is of the essence of this Contract. Seller is given permission by the parties to complete the Effective Date blank below with the date of the last signature of the parties, and that date shall be the Effective Date for all purposes under this Contract, and if that blank is not completed, then the Effective Date shall be the date of the last signature of the parties. Except as expressly set forth to the contrary in this Contract, the use of the term "days" in this Contract, including all addenda made a part hereof, shall mean calendar days. Deadlines in this Contract, including all addenda, expressed as "within

x days” or the like shall be counted from the Effective Date, unless another starting date is expressly set forth, beginning with the first day after the Effective Date, or such other established starting date, and ending at 5:00 pm, Eastern Time, on the last day counted.

- e. Confidentiality. Purchaser and Seller authorize the disclosure of the information herein to the real estate licensees, attorneys, lenders, appraisers, inspectors, investigators and others involved in the transaction necessary for the purpose of closing this transaction. Purchaser and Seller authorize the lender and/or closing agent preparing the closing statement to release a copy of the closing statement to the parties and their licensees prior to, at and after the closing.
- f. Attorneys’ Fees. If any action is brought by any party to this Contract to enforce or interpret its terms or provisions, the prevailing party in such action will be entitled to recover from the other party, in addition to any other relief awarded, all reasonable expenses that the prevailing party incurs in those proceedings, including, without limitation, attorneys’ fees and expenses. For purposes of this Section, “prevailing party” means the party obtaining substantially the relief sought, whether by compromise, settlement or judgment.
- g. 1031 Like-Kind Exchanges. Purchaser and Seller each hereby acknowledge that the sale and purchase of the Premises pursuant to this Contract may comprise part of independent like-kind (tax deferred) exchange under Section 1031 of the Internal Revenue Code, provided that same will not delay the Closing, cause additional expense to either party, increase either party’s liabilities or obligations or otherwise modify any of the terms or provisions of this Contract. Seller’s and/or Purchaser’s rights, as the case may be, under this Contract may be assigned to a qualified intermediary for the purpose of completing such an exchange. Each party agrees to reasonably cooperate with the other party and the other party’s qualified intermediary for the purpose of effectuating or facilitating such like-kind exchange, provided that neither party shall be required to incur any liability or costs, or take title to any other property, in connection therewith.
- h. Modification of Contract. This Contract may not be amended or modified, nor may any obligation hereunder be waived orally, and no such amendment or modification will be effective for any purpose unless it is in writing and signed by both parties.
- i. Assignment. Purchaser shall have the right to assign this Contract without Seller’s prior written consent.
- j. Non-Binding Draft. This Contract will not be effective, and none of the parties will have any rights hereunder, unless and until Seller and Purchaser have executed and delivered this Contract to one another.
- k. Non-Resident Seller. Seller acknowledges that the laws of the State of Maine provide that every buyer of real property located in Maine must withhold a withholding tax equal to 2.5% of the consideration unless Seller furnish to Purchaser a certificate by the Seller stating, under penalty of perjury, that Seller are residents of the State of Maine or the transfer is otherwise exempt from withholding.

By signing below, the Purchaser agrees to purchase the Premises upon the above terms and conditions in this Contract.

Signatures begin on the next page.

PURCHASER:

Barnum Holdings, LLC

/s/ Evan Colman

By: Evan Coleman

Its: Manager

By signing below, the Seller accepts the offer of the Purchaser and agrees to sell and deliver the premises upon the above terms and conditions in this Contract.

SELLER:

947 Waterford Road, LLC

/s/ David J. Noble

David J. Noble

President

AGREEMENT OF ESCROW AGENT. Escrow Agent by executing this Contract agrees to hold the Deposit in its IOLTA account to be disbursed in accordance with the terms of this Contract.

ESCROW AGENT:

PERKINS THOMPSON

/s/ Julianne C. Ray

Julianne C. Ray

Attorney

EXHIBIT A

(Legal Description)

A CERTAIN LOT or parcel of land with the buildings thereon, situated in Waterford, in the County of Oxford and State of Maine, lying on the westerly side of the Pike Road, so-called, and the northerly side of the Johnson Road, so-called, bounded and described as follows:

Beginning at a stone post at the intersection of the westerly side of the Pike Road with the northerly side of the Johnson Road;

Thence running North 6° 56" West by the westerly side of the Pike Road, one thousand two hundred sixty-nine and four-tenths (1,269.4) feet to an iron pipe at the most southeasterly corner of land now or formerly of A.W. Blake;

Thence running South 82° West along said Blake land, two hundred seven-tenths (200.7) feet to an iron pipe at the most southwesterly corner of said Blake land;

Thence running North 7° 53" West along said Blake land, one hundred seventy-seven (177.0) feet to an iron pipe set in a stone wall;

Thence running South 62° 27' West, along other land of Elan One, or its successors and assigns, five hundred eighty-seven (587.0) feet to a drill hole in a stone wall at the most northerly corner of land now or formerly of one Webb;

Thence running South 19° 25' East along said stone wall and land of Webb, one thousand three hundred forty-one and six-tenths (1,341.6) feet to an iron pipe on the northerly side of the Johnson Road;

Thence running North 76° 04' East along said Johnson Road, four hundred forty-three and three-tenths (443.3) feet to an angle in said Road near the intersection of said Road with the Pike Road;

Thence running North 42° 22' East, thirty and nine-tenths (30.9) feet to the first mentioned stone post and the point of beginning.

The directions herein are based on magnetic North as of November 1974.

TOGETHER WITH the rights described in the Easement Deed of Edward K. Keiser, Jr. to Modular Properties, LLC dated December 11, 2007 and recorded in Book 4238, Page 194.

TOGETHER WITH the right to enter upon other land of Elan One, its successors and assigns, on the easterly side of the Pike Road for the purpose of laying and maintaining a water pipe or conduit leading from the herein conveyed premises to a swamp near the Morse Brook, provided, however, that immediately following any such entry for such purposes, the Grantee, its

successors and assigns, shall restore the said premises of Elan One, its successors and assigns, to the condition existing just prior to such entry.

SUBJECT TO conditions relating to the maintenance of trees and use of the premises as set forth in a certain deed from Elan One to Dale Sanborn dated April 25, 1978 and recorded in the Oxford County Registry of Deeds in Book 983, Page 298.

MEANING AND INTENDING to describe and convey and hereby conveying all those same premises described in Parcel Four in a deed from Paris Holdings, LLC to KBS Builders, Inc. dated March 31, 2014 and recorded in Book 5102, Page 215 in the Oxford County Registry of Deeds, Eastern Division.

EXHIBIT B

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Sublease") is made as of the ___ day of June, 2021 (the "Commencement Date"), by and between **KBS BUILDERS, INC.**, a Delaware corporation with a mailing address of 300 Park Street, Paris, Maine 04271 ("Sublessor") with the consent of **947 WATERFORD ROAD, LLC**, a Delaware limited liability company with a mailing address of 53 Forest Avenue, Old Greenwich, Connecticut 06870 ("Landlord"), and **PATRIOT PRECAST, LLC**, a Maine limited liability company with a mailing address of PO Box 718, Camden, Maine 04843 ("Sublessee"). The parties hereby agree as follows:

SUBLEASE INFORMATION AND DEFINITIONS

The following information and definitions are incorporated into and made a part of this Sublease:

Subleased Premises: The "Subleased Premises" means certain land located at 947 Waterford Road in the Town of Waterford, County of Oxford, and State of Maine, and being more particularly described on **Exhibit A** to the Sublease, together with all improvements thereon and all rights and easements appurtenant thereto (the "Real Property").

Term: The "Term" or "Sublease Term" means the period commencing on the Commencement Date and ending at 5:00 p.m. on October 31, 2021, subject to adjustment and earlier termination as provided herein.

Rent Commencement Date: Sublessee's obligations to pay Base Rent shall commence on the Commencement Date (the "Rent Commencement Date").

Base Rent: Base Rent for the Subleased Premises during the Sublease Term shall be Ten Thousand and 00/100 Dollars (\$10,000.00) per month, payable on the first day of each month, pro-rated for any partial month during the Sublease Term.

Rent: The term "Rent" means Base Rent and all other sums payable by Sublessee under this Sublease.

Taxes: Without limiting the “net” nature of this Sublease as provided in herein, Sublessee shall pay all Taxes (as defined in this Sublease).

Utilities: Without limiting the “net” nature of this Sublease as provided herein, Sublessee shall contract for and pay for all Utilities (as defined in this Sublease).

Operating Expenses; Maintenance and Repairs:

Without limiting the “net” nature of this Sublease as provided herein, Sublessee shall pay 100% of all costs and expenses associated with the use, occupancy, operation, maintenance, repair, and/or replacement of the Subleased Premises, including without limitation premiums for insurance related to the Subleased Premises.

Permitted Use: Subject in all events to the terms and conditions of the Sublease, the Subleased Premises shall be used only for purposes of the production of architectural precast and cast stone products and associated administrative and general business offices of Sublessee in connection therewith.

1. Subleased Premises. Sublessor hereby subleases to Sublessee, in consideration of the Rent to be paid by Sublessee and subject to the terms and conditions set forth herein, the Subleased Premises, which are improved with a building with area of approximately 61,000 square feet. Sublessee acknowledges that Sublessor’s rights to the Subleased Premises are as Tenant under that certain Lease Agreement dated April 3, 2019, as subsequently amended by a First Amendment to Lease dated May 22, 2019 (collectively the “Lease”), which requires Landlord’s written consent to any sublease. Such consent has been obtained by Sublessor and a verification copy of same has been provided to Sublessee. Sublessee accepts and agrees to sublease the Subleased Premises in their “as is” condition with no warranties whatsoever.

2. Commencement and Term. The term of this Sublease shall commence on the Commencement Date and shall be the Sublease Term, unless earlier terminated or extended by mutual agreement of the parties or as otherwise provided in this Sublease. The parties acknowledge that the Sublease Term is shorter than the term of the underlying Lease.

3. Rent; Net Sublease.

(a) Sublessee covenants and agrees to pay to Sublessor at its address set forth in the preamble to this Sublease or at such other place as Sublessor shall from time to time designate in writing, during the Sublease Term, the Base Rent, without holdback or set-off, in advance, commencing on the Rent Commencement Date and continuing thereafter on the first day of each calendar month during the Sublease Term. All other items of Rent shall be paid, without holdback or set-off, in accordance with the terms of this Sublease. If any payment of

Rent is received by Sublessor more than five (5) days after the date when such payment is due, a late charge of five percent (5%) of the past due payment shall be assessed, due and payable immediately and without notice.

(b) Sublessor and Sublessee acknowledge and agree that this Sublease is

intended to constitute, and shall constitute, an absolutely “net” Sublease such that the Rent shall provide Sublessor with a “net” return for the Term, free of all expenses and charges with respect to the Subleased Premises, all of which shall be Sublessee’s responsibility. Accordingly, Sublessee shall pay as additional Rent and discharge, at the times specified herein, or if no time is specified, before failure to pay the same shall give rise to any interest or penalty or create any risk of lien or forfeiture, each and every item of expense, of every kind and nature whatsoever, foreseen or unforeseen, ordinary or extraordinary, related to or arising from the Subleased Premises, or by reason of, or in any manner connected with or arising from, the development, leasing, operation, management, maintenance, repair, replacement, use, and/or occupancy of the Subleased Premises.

4. Tenant’s Work.

All modifications to the Subleased Premises desired by Sublessee shall be submitted to Sublessor for its approval prior to commencement of work. Such work shall be performed in a good and workmanlike manner in compliance with all applicable state and municipal building codes and ordinances.

5. Signage.

Signage shall be built and installed at Sublessee’s sole cost and expense. The design and location of such signage shall be subject to Sublessor’s written approval prior to installation, which approval shall not be unreasonably withheld or delayed.

6. Permitted Use; Compliance with Laws.

(a) Sublessee agrees to use and occupy the Subleased Premises for the Permitted Use, and for no other purpose without the written consent of Sublessor, and further agrees not to use the Subleased Premises for any purpose deemed extra hazardous or not covered by insurance. Sublessee acknowledges and agrees that Sublessor shall have the right to adopt reasonable rules and regulations for the use and/or occupancy of the Subleased Premises and Sublessee agrees that it shall at all times observe and comply with such rules and regulations.

(b) Sublessee agrees to abide by and comply with all Laws (as hereafter defined) applicable to the Subleased Premises and/or the use or occupancy of the Subleased Premises. It is the responsibility of Sublessee to determine all zoning information and secure all necessary permits, licenses, and approvals for Sublessee’s use and occupancy of the Subleased Premises. Without limiting the generality of the foregoing, Sublessee agrees to maintain in full force and effect, during the Sublease Term, at Sublessee’s cost and expense, all permits, licenses, registrations, and approvals required under applicable Laws for the use and/or occupancy of the Subleased Premises. Without limiting the “AS IS” nature of this Sublease, Sublessee

acknowledges and agrees that Sublessor has not made and is not making any representations or warranties as to the suitability of, or the ability to obtain any permits or approvals for, Sublessee's intended use of the Subleased Premises.

(c) As used in this Sublease, the term "Laws" means all federal, state, municipal or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

7. Taxes.

(a) Sublessee shall be responsible for the prompt payment of all taxes, levies, betterments, and assessments, and governmental impositions of every kind or nature, whether now existing or hereafter created, general or special, ordinary or extraordinary, foreseen or unforeseen, that may be charged, assessed, laid, levied, or imposed upon, or become a lien or liens against, the Subleased Premises or this Sublease, including any amount that Sublessor may be required to pay to any governmental authority as sales tax, gross receipt tax, or any tax of like nature specifically measured as a percentage of, or fraction of, or other factors based upon the all or any portion of the Rent payable hereunder (whether in lieu of, or in addition to the current system of real estate taxation) (all amounts payable under this Section being referred to herein as "Taxes").

(b) Sublessee shall pay all Taxes to Sublessor as additional Rent in estimated monthly installments. The actual amount of Taxes shall be reconciled against such estimated monthly installments annually. Within thirty (30) days of such reconciliation, Sublessor shall remit to Sublessee the amount by which the payment of estimated Taxes exceeds the actual Taxes for such annual period (provided Sublessee is not then in breach of this Sublease), or, in the event the estimated payments are not sufficient to pay the levy, Sublessee shall pay to Sublessor the amount by which the actual Taxes for such annual period exceeds the estimated payments made by Sublessee to Sublessor.

8. Utilities.

(a) Sublessee shall make arrangements for, and pay on or before the date the same become due, all charges for or relating to gas, oil, electricity, water, sewer, septic, telecommunications, and all other services used at or supplied to the Subleased Premises (collectively, "Utilities").

(b) Sublessor shall in no way be liable for any loss, expense, or damage (whether direct or indirect) that Sublessee may sustain or incur by reason of any change, failure, interference, disruption, interruption, or defect in the supply or character of any Utilities serving the Subleased Premises, regardless of its duration, or if the quantity or character of Utilities become unavailable to the Subleased Premises or no longer suitable for Sublessee's requirements. Additionally, any such change, failure, interference, disruption, interruption, defect, unavailability, or unsuitability mentioned in this Section shall not: (i) constitute an actual or constructive eviction of Sublessee, in whole or in part; (ii) entitle Sublessee to any abatement

or diminution of Rent, or any other costs due from Sublessee pursuant to this Sublease; (iii) relieve or release Sublessee from any of its obligations under this Sublease; or (iv) entitle Sublessee to terminate this Sublease.

9. Operation, Maintenance and Repairs.

(a) Sublessee agrees that from and after the Commencement Date, Sublessee will keep neat and clean and maintain in good and safe order, condition and repair, and in compliance with all Laws the entirety of the Subleased Premises, including any and all alterations or improvements to the Subleased Premises occurring after the date of this Sublease. Sublessee agrees to pay the costs for cleaning and janitorial services relating to the Subleased Premises (including trash removal and trash hauling), which services shall be provided or caused to be provided by Sublessee. Sublessee shall be responsible for the plowing, shoveling, and treatment of snow and ice and all grounds keeping, including all landscaping and sweeping of pavement and other hardscaped surfaces. Sublessee shall be responsible for all items of maintenance and all repairs to and replacements (except as otherwise provided in Section 18) of all buildings and improvements and all Building Systems (as hereafter defined), and all foundations, structural supports, walls, ceilings, windows (including plate glass), siding, roof structure, roofing materials, doors, plate glass, driveways, parking areas, fences and signs located in, on or at the Subleased Premises) that the Subleased Premises may require from time to time during the Term, whether interior or exterior, structural or non-structural, ordinary or extra-ordinary, foreseen or unforeseen, all to keep the Subleased Premises in good and safe order, condition, and repairs, and in at least as good condition as the Subleased Premises are in on the Commencement Date. The term "Building Systems" means all heating systems, ventilating systems, air conditioning systems, fire alarm systems, sprinkler systems, and other life safety systems, septic systems, water supply systems (including any water treatment or filtration systems), plumbing systems, electrical systems, storm water management facilities, and all other systems located at or serving the Real Property.

(b) Without limiting the generality of sub-section (a) of this Section, Sublessee shall procure and maintain, with qualified vendors reasonably acceptable to Sublessor, contracts providing for periodic inspections and maintenance of the heating, ventilating, and air conditioning (HVAC) systems, fire alarm, sprinkler, and life safety systems, the septic system, the crane(s) and related appurtenances in the building, at such intervals as are reasonably required by Sublessor, but in all events at least annually.

10. Alterations, Renovations and Improvements. Sublessee shall not make any alterations, renovations or improvements to the Subleased Premises without obtaining Sublessor's prior written consent to the plans and specifications therefor and the contractor(s) to be retained by Sublessee to perform such work, which shall not be unreasonably withheld, conditioned, or delayed in the case of cosmetic renovations that do not affect the structural elements of the improvements, the roof(s) of any buildings, or any of the Building Systems, but otherwise shall be in Sublessor's sole discretion. Prior to any contractor or subcontractor (of any tier) providing or furnishing any labor, materials, or services in connection with any alterations, renovations, or improvements, Sublessee shall obtain and furnish to Sublessor the name and

address of each such contractor and subcontractor. In addition, prior to any such labor, materials, or services being provided or furnished, Sublessee shall furnish to Sublessor a mechanic's lien waiver and notice to prevent lien in a form prescribed by Sublessor, duly executed by each such contractor or subcontractor who will furnish or provide labor, materials, and/or services. Sublessee shall ensure that all such alterations, renovations and improvements are performed in a good and workmanlike and in compliance with all applicable Laws. In the event any lien is filed against the Subleased Premises in connection with or arising out of any

work performed at or materials, labor or other services supplied to the Subleased Premises, Sublessee shall cause the same to be discharged within thirty (30) days after such lien is filed. Sublessee shall indemnify and hold Sublessor harmless from and against all claims, demands, liabilities, liens, losses, costs and expenses (including reasonable attorneys' fees) which may arise or be incurred by Sublessor as a direct or indirect result of or in connection with such alterations, renovations and improvements, and Sublessee shall be responsible for all costs, liabilities, and expenses arising out of such alterations, renovations and/or improvements. All alterations, renovations and improvements which may be made or installed by or on behalf of Sublessee upon the Subleased Premises and which in any manner are attached to the floors, walls or ceilings shall, at Sublessor's option, remain upon the Subleased Premises, and, upon termination of this Sublease, shall be surrendered with the Subleased Premises as a part thereof without disturbance, molestation or injury, provided, however, that Sublessee's furniture, equipment, other personal property, and trade fixtures (which, for avoidance of doubt, shall in no event include the crane(s) or related appurtenances located at the Subleased Premises) may be removed by Sublessee from the Subleased Premises upon the expiration or termination of this Sublease, subject to the provisions relating to removal thereof as provided in this Sublease. In no event shall Tenant have the right to remove the Subleased Personal Property from the Real Property.

11. Signs. Sublessee shall have the right to maintain the existing signage at the Real Property as of the Commencement Date and shall have the right to install additional signage that does not affect the structural elements of the improvements, the roof(s) of any buildings, or any of the Building Systems, provided, however, that all signage shall be at Sublessee's sole cost and expense, and shall comply with all applicable Laws.

12. Surrender; Holdover. Sublessee shall vacate and surrender the Subleased Premises to Sublessor at the expiration or sooner termination of the Sublease Term and the same shall be in the same condition as Sublessee is required to maintain the same during the Sublease Term, free of all of Sublessee's personal property except as may otherwise be provided herein, "broom clean," and otherwise in accordance with the provisions of the Sublease. Sublessee shall have no right to holdover beyond the expiration of the Sublease Term. If Sublessee continues to occupy the Subleased Premises after the end of the Sublease Term, such continued occupancy shall be deemed a tenancy-at-sufferance even if Sublessor accepts any payment from Sublessee, but in the event that a court of competent jurisdiction deems such acceptance of a payment to constitute acceptance of "rent", such acceptance shall create no rights in Sublessee beyond a tenancy-at-will under the terms and conditions stated herein but at a Base Rent rate equal to one hundred fifty percent (150%) of the Base Rent applicable immediately preceding the end of the Sublease Term, plus all additional Rent, until (i) Sublessee shall vacate the Subleased Premises; (ii) the

termination of the tenancy-at-will; or (iii) Sublessor shall give notice of a different rental amount. Nothing contained in this Section shall be deemed to (a) constitute consent by Sublessor to such occupancy or holdover by Sublessee; (b) confer any rights on Sublessee as more than a Sublessee-at-sufferance or, if Sublessor accepts any rental payments applicable to such period of holding over, a Sublessee-at-will; or (c) relieve Sublessee from liability for damages suffered by Sublessor as a result of such holding over.

13. Removal of Sublessee's Property. Sublessee's trade fixtures, personal property, furniture and equipment, other than those items which are to remain or which Sublessor elects to have remain at the Subleased Premises as provided in Section 10 of this Sublease, may be removed by Sublessee at the termination of this Sublease, provided (a) such removal shall not cause any material damage to any portion of the Subleased Premises, and any other damage created by such removal shall be repaired by Sublessee at Sublessee's expense prior to the expiration of the Sublease Term to at least as good condition as existed when possession of the Subleased Premises was delivered to Sublessee; and (b) such removal shall be made before the termination of the Sublease Term.

14. Subletting and Assignment. Sublessee shall not further assign this Sublease, in whole or in part, or sublet the Subleased Premises or any portion thereof, or encumber the interest created by this Sublease in any manner without the prior written consent of Sublessor and Landlord, which may be withheld in Sublessor or Landlord's sole discretion. No assignment or Sublease shall operate to release Sublessee from any of its obligations under this Sublease. Each Sublease of the Subleased Premises or any portion thereof must contain a release of and waiver of claims against Sublessor and the other Releasees (as that term is defined in this Sublease), in form and content acceptable to Sublessor, and must require the Sublessee's property insurer to issue in favor of Sublessor and the other Releasees waiver of subrogation rights endorsements to all policies of property insurance carried in connection with the Subleased Premises and the contents thereof. Every transfer by levy or sale on execution, or other legal process, every transfer in bankruptcy, every transfer by merger, consolidation, or by operation of Law, every transfer of a controlling interest in Sublessee, and every transfer under any compulsory procedure or order of court shall be deemed to constitute an "assignment" within the meaning of this Sublease. Any attempted assignment or Sublease in violation of this Section shall, at Sublessor's option, be void and shall constitute a default under this Sublease. Consent by Sublessor to an assignment or Sublease in one instance shall not operate to release the requirement that consent from Sublessor be obtained for any further or subsequent assignment or Sublease. Sublessee shall pay all fees and expenses, including reasonable attorneys' fees, incurred by Sublessor in connection with any proposed subletting or assignment, irrespective of whether Sublessor's consent is in fact granted. Sublessee shall not encumber the Subleased Personal Property in any manner, including by creation of any security interest in or other pledge of or lien upon the Subleased Personal Property.

15. Indemnification and Insurance.

(a) Sublessee agrees to maintain in full force during the Sublease Term insurance as follows:

(i) commercial general liability insurance, written on an occurrence basis, with a deductible in an amount not to exceed \$10,000.00, and providing:

(A) minimum limits of (y) \$2,000,000.00 per occurrence with \$3,000,000.00 annual aggregate limit for bodily injury (including death) and property damage; and (z) \$3,000,000.00 in the annual aggregate with respect to products and completed operations;

(B) coverage for damages arising out of bodily injury (including death) sustained by any person or persons or arising out of damage to or destruction of property;

(C) coverage for damages arising out of premises liability, personal injury and advertising injury;

(D) pollution liability coverage for sudden and accidental pollution;

(E) for extension of such coverage to include liability for the operation of non-owned motor vehicles;

(F) specific coverage for Sublessee's indemnification obligations under this Sublease (but neither this provision nor such coverage shall be deemed to limit any of Sublessee's obligations under this Sublease);

(G) that Sublessee's commercial general liability insurance is provided on a primary and non-contributory basis;

(H) that Sublessor, Landlord, Landlord's mortgagee(s) of the Subleased Premises from time-to-time (if any), and any other persons reasonably designated in writing by Sublessor from time-to-time are named as additional insureds by an endorsement provided on ISO Form 2026 (1185) or its equivalent, without modification, or such other endorsement as is acceptable to Sublessor, acting reasonably; and

(I) for waiver of subrogation in favor of Sublessor, Landlord, Landlord's mortgagee(s) of the Subleased Premises from time-to-time (if any), and any other persons reasonably designated in writing by Sublessor from time-to-time.

(ii) Automobile liability insurance covering all motor vehicles owned, Subleased, or licensed by Sublessee, covering injury to or death of one or more persons or damage to or destruction of property, with a minimum limit of liability of \$3,000,000.00 for each accident.

(iii) Workers compensation insurance in accordance with the requirements of all applicable Laws, and employers liability insurance with limits of at least \$1,000,000.00, with such workers compensation insurance and employers liability insurance providing for waiver of subrogation in favor of Sublessor, Landlord, Landlord's mortgagee(s) of the Subleased Premises from time-to-time (if any), and any other persons reasonably designated in writing by Sublessor from time-to-time.

(iv) Umbrella excess liability insurance in a minimum amount of \$4,000,000.00, on a following form basis over the insurance described in clauses (i) through (iii), above.

(v) Special causes of loss form (also sometimes known as "all risk") property insurance insuring, on a replacement cost basis (without any deduction for depreciation), all Subleased Personal Property and all other personal property and trade fixtures owned by or within the care, custody or control of Sublessee, with limits in an amount of not less than one hundred percent (100%) of the full replacement cost of such property, without co-insurance provisions, and with a deductible of not more than \$10,000.00, and with Sublessor (and Landlord and Landlord's mortgagee(s) of the Subleased Premises from time-to-time) named as additional insured(s). Such policy(ies) of property insurance must insure against fire, sprinkler leakages, and earthquake, flood and collapse, and all other perils as are from time to time included in the standard special causes of loss form (also sometimes known as "all risk") coverage;

(vi) (Reserved);

(vii) business interruption insurance covering all of Sublessee's obligations under this Sublease with respect to the payment of Rent for a period of at least eighteen (18) months;

(viii) Such other insurance policies, such other endorsements, such other deductibles, and/or such other insurance policy limits as may from time to time be reasonably required by Sublessor, provided that, at the time, such other insurance policies, endorsements, deductibles, and/or insurance policy limits are commonly carried for premises and/or buildings or improvements similar in construction, design, general location, use, operation, and occupancy to those located on or appurtenance to the Subleased Premises or for operations similar to those conducted on or from the Subleased Premises.

(b) Without limiting the exculpatory provisions of this Sublease, each policy of property insurance maintained by Sublessee under this Sublease shall contain waivers of subrogation in favor of Sublessor, Landlord, and all other Releasees.

(c) All insurance required to be obtained and maintained by Sublessee pursuant to this Section must be with insurers authorized to transact insurance business and cover

risks in the State of Maine and that are rated "A-" or better by A.M. Best Company, Inc. or other insurance companies of recognized responsibility acceptable to Sublessor, acting reasonably.

(d) The policies of insurance required to be maintained by Sublessee under this Sublease shall be endorsed to require that each policy will not be cancelled or materially changed without at least thirty (30) days prior written notice to Sublessor.

(e) Sublessee shall deliver to Sublessor copies of each policy of insurance (including all endorsements) required to be maintained by Sublessee under this Sublease or such other evidence of each such policy of insurance (and all required endorsements) as is acceptable to Sublessor, acting reasonably.

(f) If Sublessee fails to obtain, maintain and/or pay for the insurance required by this Sublease at the times and for the amounts and duration specified herein, Sublessor has the right, but not the obligation, at any time and from time to time, to obtain such insurance and/or pay the premiums for such insurance, without limiting any other rights or remedies available to Sublessor for such failure. In such event, Sublessee shall repay Sublessor, immediately upon demand, all sums so paid by Sublessor and all costs and expenses incurred by Sublessor in connection therewith (including reasonable attorneys' fees), all without prejudice to any other rights or remedies available to Sublessor.

(g) Sublessor shall have the right, at any time during the Term, to elect, by giving written notice to Sublessee, to carry property insurance for the buildings and improvements located on the Subleased Premises, in which event, Sublessee shall pay to Sublessor the amount of all premiums for such property insurance procured and maintained by Sublessor with respect to the Real Property. Sublessee shall pay such amounts to Sublessor in estimated monthly installments, with the actual amount of incurred by Sublessor for such premiums being reconciled against such estimated monthly installments annually and, within thirty (30) days of such reconciliation, Sublessor remitting to Sublessee the amount by which the payment of estimated premiums exceeds the actual premiums for such annual period (provided Sublessee is not then in breach of this Sublease), or Sublessee paying to Sublessor the amount by which the actual premiums for such annual period exceeds the estimated payments made by Sublessee to Sublessor.

(h) Sublessee acknowledges and agrees that such property insurance as Sublessor elects to purchase with respect to the Real Property shall be for the sole benefit of Sublessor and that such insurance shall not cover any personal property, trade fixtures, Subleasehold improvements, or other property or appurtenances owned by or within the care, custody, or control of Sublessee, or otherwise located in the Subleased Premises (collectively, "Sublessee's Property") and that in the event of damage to or loss of any of Sublessee's Property, neither Sublessor, Landlord, its mortgagee(s) of the Subleased Premises from time-to-time (if any), nor any of the shareholders, members, directors, managers, officers, employees, or agents of Sublessor, Landlord or any such mortgagee(s) (each in the singular "Releasee", and in the plural, "Releasees") shall have any obligation to repair or replace the same. Notwithstanding any exception to Sublessee's indemnification obligations under this Sublease, Sublessee does

hereby expressly release all Releasees of and from, and agrees to indemnify, hold harmless, and defend Releasees from and against, any and all claims for damages to or loss of any of Sublessee's Property, regardless of the cause thereof, including, damage or loss due to any Releasee's negligence.

(i) Sublessee shall indemnify and hold all Releasees harmless and, if requested by Sublessor, defend such Releasee(s) with counsel reasonably satisfactory to Sublessor, from and against any and all liabilities, losses, claims, causes of action, damages, costs, and expenses (including reasonable attorney's fees) incurred by or threatened against any Releasee arising out of (i) any occurrence on the Subleased Premises or the use of the Subleased Premises by Sublessee, its employees, agents, licensees, or invitees, except to the extent caused by the negligence or willful misconduct of Sublessor (but such exception shall not apply to limit

the application of sub-section (h) of this Section); or (ii) Sublessee's breach of any provision of this Sublease. Sublessee agrees that the foregoing agreement to indemnify, defend, and hold harmless extends to liabilities, losses, claims, causes of action, damages, costs and expenses (including reasonable attorney's fees) arising out of claims of Sublessee's employees without regard to any immunity, statutory or otherwise, including any immunity under the workers compensation laws of Maine or any other applicable jurisdiction, which immunity Sublessee hereby waives, but only for the purposes of Sublessee's obligations to the Releasees under this sub-section. Sublessee's obligations under this sub-section shall survive the termination of this Sublease.

16. Hazardous Materials. Sublessee covenants and agrees that Sublessee will not permit any Hazardous Substances (as hereafter defined) to be stored, generated, or released from the Subleased Premises, other than Hazardous Substances incidental to Sublessee's use, maintenance, and operation of the Subleased Premises for the Permitted Use provided that Sublessee shall store, generate, handle, and dispose of all such Hazardous Substances in full compliance with all applicable laws. Sublessee hereby covenants and agrees to indemnify, hold harmless, and, if requested by Sublessor, defend, Sublessor and Landlord from and from and against any and all demands, claims, causes, of action, losses, liabilities, damages, fines, costs, and expenses (including reasonable attorneys' fees, court costs and clean-up costs) that may arise out of any Hazardous Substances located at or generated or released from the Subleased Premises, irrespective of whether first occurring prior to or after the Commencement Date. The term "Hazardous Substances" means any flammables, explosives, radioactive materials, gasoline, oil, other petroleum products, lead paint, urea formaldehyde (including urea formaldehyde foam insulation), asbestos, asbestos containing materials, polychlorinated biphenyls, and any other hazardous materials, hazardous waste, hazardous matter, hazardous or toxic substances, chemical pollutants, and other materials or substances defined in or regulated by Environmental Laws. The term "Environmental Laws" means (A) the Clean Water Act; (B) the Clean Air Act; (C) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act; (D) the Toxic Substance Control Act; (E) the Resource Conservation and Recovery Act; (F) the Hazardous Materials Transportation Act; and/or (G) any similar state Laws regulating pollution or contamination of the environment. The obligations of Sublessee under this Section shall survive the termination of this Sublease.

17. Right to Enter. Sublessee agrees to permit Sublessor or its duly authorized agents to enter on the Subleased Premises during Sublessee's normal business hours, with reasonable prior notice, to examine the condition of said Subleased Premises, exercise any rights of Sublessor under this Sublease, and/or to show the same to prospective tenants, lenders, or purchasers, provided such access to the Subleased Premises shall not unnecessarily interfere with Sublessee's use of the Subleased Premises or the conduct of Sublessee's business activities thereon. Notwithstanding the foregoing, Sublessor shall have the right (but not the obligation) to enter the Subleased Premises without prior notice in the event of an emergency in which prior notice is not practicable in the circumstances.

18. Total or Partial Destruction.

(a) In the event the improvements on the Real Property (including any Building Systems) are damaged or destroyed by fire or other peril (a "Casualty"), Sublessee shall give Sublessor notice of such Casualty as soon as reasonably possible after the Casualty. Sublessor shall have the right to elect whether to have such improvements rebuilt or restored. In the event that Sublessor elects not to have the improvements rebuilt or restored, and the nature of the Casualty is such as would, absent such rebuilding or restoration, materially impair Sublessee's ability to use and occupy such Subleased Premises in substantially the same manner as they were used prior to the Casualty, this Sublease shall terminate effective as of the date of the Casualty. In the event that Sublessor elects to have the improvements rebuilt or restored, this Sublease shall remain in effect without reduction or abatement of Rent, and the following provisions shall apply:

(i) Sublessor shall, with reasonable promptness rebuild or restore such improvements to at least substantially the same condition, quality, and class as existed prior to the Casualty, using the proceeds of insurance covering such improvements, provided, however, that in no event shall Sublessor be obligated to expend for any such rebuilding or restoration an amount in excess of the insurance proceeds actually collected by Sublessor on account of the Casualty, less the costs and expenses (including reasonable attorneys' fees) incurred by Sublessor in collecting such proceeds.

(ii) Notwithstanding the preceding clause (i), Sublessor shall have the right to elect, by giving written notice to Sublessee, to have Sublessee rebuild or restore the Subleased Premises, in which event Sublessee shall, with reasonable promptness, and in all events within twelve (12) months of the date of Sublessor's election notice, rebuild or restore such improvements to at least substantially the same condition, quality, and class as existed prior to the Casualty, using the proceeds of insurance covering such improvements. The selection of all engineers, architects, and contractors engaged in connection with such rebuilding or restoration and all plans and specifications for such rebuilding or restoration, shall be subject to review and approval by Sublessor. In the event that Sublessor makes the election to have Sublessee rebuild or restore as provided in this clause (ii), all proceeds payable by reason of any Casualty under all applicable policies of insurance (whether Sublessee is carrying such insurance, or Sublessor has elected to do so as provided in this Sublease) shall be paid to Sublessor or its mortgagee,

and such proceeds will be held by Sublessor or its mortgagee in an interest-bearing account and, provided Sublessee is not in breach of this Sublease, shall be made available for rebuilding or restoring the improvements, and shall be paid by Sublessor (or such mortgagee) from time- to-time during the progress of construction for the costs of such reconstruction or repair, all subject to and in accordance with reasonable terms, conditions, and construction disbursement procedures specified by Sublessor and/or such mortgagee. Any excess proceeds of insurance (and accrued interest) remaining after the completion of the restoration or reconstruction of the Subleased Premises shall be paid to Sublessor.

(b) In the event of any loss or destruction of or damage to any of the Subleased Personal Property, Sublessee shall, unless Sublessor elects to retain any proceeds of insurance allocable to such Subleased Personal Property, be responsible for the repair and replacement of such lost, destroyed, or damaged Subleased Personal Property,

with the restored or replacement items of at least equivalent condition, quality, class, and value to the item(s) of Subleased Personal Property prior to such loss, destruction, or damage. All proceeds payable under all applicable policies of insurance by reason of any loss or destruction of or damage to any Subleased Personal Property shall be paid to Sublessor. Unless Sublessor elects to retain such proceeds of insurance allocable to such Subleased Personal Property, such proceeds will be held by Sublessor in an interest-bearing account and, provided Sublessee is not in breach of this Sublease, shall be made available for such repair or replacement, and shall be paid out by Sublessor from time to time during the progress of the repair or replacement for the reasonable costs of such repair or replacement, all subject to and in accordance with reasonable terms, conditions, and disbursement procedures specified by Sublessor. Any excess proceeds of insurance (and accrued interest) remaining after the completion of the repair or replacement of such Subleased Personal Property shall be paid to Sublessor. There shall be no abatement or reduction of Rent on account of any such loss, destruction, or damage.

(c) Sublessee shall be responsible for all insurance deductibles applicable to any Casualty affecting any of the improvements on the Real Property (including Building Systems), and for all insurable deductibles applicable to any loss or destruction of or damage to any of the Subleased Personal Property.

(d) The provisions of this Section shall be subject and subordinate to the provisions of any mortgage now or hereafter placed upon the Real Property and the requirements of any mortgagee holding such mortgage. The provisions of this Section shall also be subject and subordinate to the provisions of any security agreement now or hereafter affecting the Subleased Personal Property and the requirements of any secured party holding the security interest under such security instrument.

19. Condemnation.

(a) "Condemnation" means any taking of title to or any interest in the Subleased Premises or any part thereof or any other property used in connection with the Subleased Premises (including for ingress, egress, parking, septic service, water supply or other

services or utilities) by exercise of any right of eminent domain by, or by any similar proceeding or act of, any person having the power and legal authority to do so (or by purchase in lieu thereof). For the purposes of this definition, the effective date of any Condemnation shall be deemed to be the later of: (i) the date when title to the Subleased Premises or part thereof or such other property is transferred by such proceeding or act of the condemning authority, and (ii) the date when Sublessee is no longer permitted to occupy the Subleased Premises or to use such other property.

(b) “Substantial Condemnation” means any Condemnation that affects all or a substantial portion of the Subleased Premises or any Condemnation that has or is reasonably likely to have a materially adverse effect on any business operations then being conducted on the Subleased Premises. Sublessee may waive its right to treat as a Substantial Condemnation any Condemnation that would otherwise qualify as such.

(c) “Insubstantial Condemnation” means any Condemnation that is not a Substantial Condemnation.

(d) If a Substantial Condemnation occurs, this Sublease shall terminate upon the effective date of the Substantial Condemnation.

(e) If an Insubstantial Condemnation occurs, then this Sublease shall continue in full force and effect without reduction or abatement of Rent.

(f) In the event of any Condemnation, Sublessor shall be entitled to receive and retain the amounts awarded for the Subleased Premises, and Sublessee shall be entitled to receive and retain any amounts which may be specifically awarded to it in any such condemnation proceedings because of its business loss or the taking of its trade fixtures, furniture, or other property.

20. Force Majeure. In any case where either party is required to perform any act pursuant to this Sublease, except for Sublessee’s monetary obligations hereunder, the time for the performance thereof shall be extended by a period of time equal to the period of any delay caused by or resulting from an act of God, war, civil commotion, epidemic or pandemic, fire or other casualty, labor difficulties, shortages of energy or labor, government regulations, or delays caused by one party to the other, whether such period be designated by a fixed date, a fixed time, or as a reasonable date or time.

21. Quiet Enjoyment. Sublessee, on paying the Rent and performing and observing the covenants in this Sublease, may hold and enjoy the Subleased Premises for the Term without unreasonable interference from any person claiming by, through, or under Sublessor, subject and subordinate to all provisions of this Sublease.

22. Default.

(a) In the event that:

(i) Sublessee shall fail to pay when due the Rent or any other sums payable hereunder when due and such failure remains uncured for five (5) days after Sublessor delivers a default notice to Sublessee for such failure to pay rent; or

(ii) any petition in bankruptcy shall be filed by Sublessee or any guarantor hereof or other petition or proceeding shall be filed or commenced by Sublessee or any guarantor hereof to declare Sublessee insolvent, or to delay, reduce or modify Sublessee's or any such guarantor's debts or obligations, or Sublessee or any such guarantor admits its inability to pay its debts, or Sublessee or any such guarantor makes an assignment for the benefit of creditors; or

(iii) any bankruptcy petition or proceeding shall be filed against Sublessee or any guarantor hereof or to otherwise declare Sublessee or any guarantor hereof bankrupt or insolvent or to delay, reduce or modify Sublessee's or any such guarantor's debts or obligations or a receiver, trustee or other similar type of appointment or court appointee or

nominee is appointed for Sublessee or any such guarantor or any of the property of Sublessee or any such guarantor, and such petition, appointment or proceeding is not dismissed within sixty (60) days after it is commenced; or

(iv) the Subleasehold interest of Sublessee is levied upon or attached by process of law, including the filing of any mechanic's lien, and such levy, lien, or attachment is not dissolved within thirty (30) days after it is made; or

(v) Sublessee shall abandon the Subleased Premises during the Sublease Term; or

(vi) Sublessee shall assign this Sublease or sublet any portion of the Subleased Premises, or attempt to do either of the foregoing, in violation of this Sublease; or

(vii) Sublessee violates or fails to observe or comply with any laws applicable to the Subleased Premises, Sublessee's use thereof, or Sublessee's operations, activities or conduct of business at or from the Subleased Premises; or

(viii) any other event, occurrence, act, or omission described in any provision of this Sublease as constituting a "default" or an "Event of Default" occurs;

(ix) Sublessee shall neglect or fail to perform or observe any of the other covenants, terms, provisions or conditions contained in this Sublease and, if the neglect or failure is capable of being cured, such neglect or failure continues for more than thirty (30) days after written notice thereof (provided, however, that if such neglect or failure is capable of being cured, but is not capable of being cured within said thirty (30) day period, then Sublessee shall have such additional period of time, not to exceed an additional sixty (60) days, as is reasonably necessary to cure the same provided Sublessee commences to cure within said thirty (30) day period and diligently and continuously prosecutes the cure to completion);

then, and in any of said cases (notwithstanding any license of any former breach of covenant or waiver of the benefit hereof or consent in a former instance), and without limitation of any other remedies that might be available to Sublessor under this Sublease, at law, or in equity, Sublessor lawfully may, immediately or at any time thereafter, terminate this Sublease by sending written notice of termination to Sublessee, or, subject to compliance with applicable Laws, enter into and upon the Subleased Premises or any part thereof in the name of the whole and repossess the same as of its former estate, and expel Sublessee and those claiming through or under it and remove it or their effects without being deemed guilty of any manner of trespass, in each case without prejudice to any rights or remedies which might otherwise be available to Sublessor for collection of Rent and other damages for breach of covenant, and upon entry as aforesaid or upon sending of such notice, this Sublease shall terminate.

(b) Without limiting other remedies of Sublessor at law or in equity for any breach of or on account of termination of this Sublease, Sublessee covenants that in case of such termination under sub-section (a) of this Section, Sublessee shall pay to Sublessor the unpaid Rent owed to Sublessor through the time of termination, plus interest thereon at the rate of 18%

per annum from the date the same was due until paid; and (ii) at the election of Sublessor, either:

(1) the present value of a sum which, at the time of such termination of this Sublease is equal to (A) the aggregate of the Rent which would have been payable by Sublessee for the period commencing upon such termination of this Sublease and continuing through the date this Sublease would have terminated had there been no default by Sublessee; minus (B) the fair market rental value of the Subleased Premises (after deducting reasonable projections for Sublessor's costs and expenses of re-letting the Subleased Premises, including advertising expenses, brokerage commissions, reasonable attorneys' fees, and commercially reasonable costs of repairing, renovating, or otherwise altering the Subleased Premises to suit the new Sublessee); or

(2) for the period of time commencing upon such termination of this Sublease and continuing through the date this Sublease would have terminated had there been no default by Sublessee hereunder, the difference, if any, between the Rent which would have been due had there been no such termination and the amount being received by Sublessor as rent from a replacement Sublessee of Subleased Premises, if any. In addition, Sublessee shall pay to Sublessor all costs and expenses of such re-letting, including advertising expenses, brokerage commissions, reasonable attorneys' fees, and commercially reasonable costs of repairing, renovating, or otherwise altering the Subleased Premises to suit the new Sublessee.

(c) If Sublessee shall default in the performance or observance of any covenant, agreement, or condition in this Sublease contained on its part to be performed or observed and shall not cure any such default as provided herein, Sublessor may, at its option, without waiving any claim for damages or any other right or remedy for breach of this Sublease, at any time thereafter, cure such default. Any amount paid or any liability incurred by Sublessor in so doing shall be deemed paid or incurred for the account of Sublessee, and Sublessee agrees to immediately reimburse Sublessor therefor, as additional Rent.

(d) Sublessee shall pay all reasonable attorneys' fees incurred by Sublessor in connection with the enforcement of Sublessee's obligations under this Sublease.

(e) Sublessor shall in no event be in default in the performance of any of its obligations hereunder unless and until Sublessor shall have failed to perform, or failed diligently to attempt to perform, such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by Sublessee to Sublessor properly specifying wherein Sublessor has failed to perform any such obligation.

(f) In no event shall Sublessor be liable to Sublessee for incidental, consequential, or punitive damages in connection with any matter arising out of this Sublease or the Subleased Premises. Without in any way limiting or impairing the effect of the other provisions of this Sublease, Sublessee shall neither assert nor seek to enforce any claim arising out of this Sublease or out of the use or occupancy of the Subleased Premises against Sublessor, its shareholders, directors, officers, employees, or agents, or any of its or their assets other than the value of Sublessor's interest in the Subleased Premises and Sublessee agrees to look solely to such interest and insurance coverage for the satisfaction of any claim arising out of this Sublease or out of the use or occupancy of the Subleased Premises.

23. Sale or Mortgage; Estoppel; Subordination.

(a) Nothing contained in this Sublease shall limit Sublessor's right to sell, mortgage, or otherwise encumber its fee interest in the Subleased Premises, or affect Sublessor's right to assign this Sublease or the Rent payable under this Sublease, whether as further security under a fee mortgage or otherwise. Any such assignment of this Sublease or of the Rent payable under this Sublease shall be honored by Sublessee.

(b) In the event Sublessor shall sell, transfer, or otherwise convey the Subleased Premises, Sublessor, upon the written assumption by the transferee of the obligations arising hereunder after the date of such transfer, shall be entirely freed and relieved of all covenants and obligations of Sublessor hereunder. Nothing in the preceding sentence shall be construed to impair Sublessee's interest under this Sublease so long as Sublessee performs and observes the covenants and terms of this Sublease on its part to be performed and observed.

(c) This Sublease shall, at Sublessor's or Landlord's option, be subordinate to any ground Sublease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the Subleased Premises, and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Sublessee's right to quiet possession of the Subleased Premises shall not be disturbed if Sublessee is not in default and so long as Sublessee shall pay the Rent and observe and perform all of the provisions of this Sublease. If any mortgagee, trustee, or ground lessor shall elect to have this Sublease made prior to the lien of its mortgage, deed of trust or ground Sublease, and shall give written notice thereof to Sublessee, this Sublease shall be deemed prior to such mortgage, deed of trust, or ground Sublease, whether this Sublease is dated prior to or subsequent to the date of said mortgage, deed of trust, or ground Sublease or

the date of recording thereof. Sublessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Sublease prior to the lien of any mortgage, deed of trust or ground Sublease, as the case may be. Sublessee's failure to execute such documents within ten (10) days after written demand shall constitute an Event of Default by Sublessee hereunder.

(d) At any time, and from time to time, upon the written request of Sublessor, Landlord, or any mortgagee or prospective purchaser of the Subleased Premises, Sublessee, within ten (10) business days after such written request, agrees to execute, acknowledge and deliver to Sublessor, Landlord and/or such mortgagee, without charge, an estoppel certificate which shall contain (i) a certification that this Sublease is unmodified and in full force and effect or, if modified, a statement of the nature of any such modification and a certification that this Sublease, as so modified, is in full force and effect; (ii) a certification of the date to which the Rent payable by Sublessee are paid (including any payments in advance); (iii) a certification that Sublessee is not in default hereunder and that there are not, to Sublessee's knowledge, any uncured events of default on the part of Sublessor or Landlord hereunder, or a specification of such events of default if any are claimed by Sublessee; and (iv) such other commercially reasonable certifications as are identified in such request. Sublessee's failure to deliver such estoppel certificate within the time frame set forth above shall, at Sublessor's or Landlord's

option, constitute an Event of Default hereunder and shall, at Sublessor's option, be conclusive proof that this Sublease is in full force and effect without modification except as may be represented by Sublessor, that there are no uncured defaults in Sublessor's performance of Sublessor's obligations under this Sublease, and that not more than one month's Rent has been paid in advance.

(e) If Sublessor or Landlord desires to finance, refinance, or sell the Subleased Premises, Sublessee hereby agrees to deliver to any lender or purchaser designated by Sublessor or Landlord, and cause any guarantor to so deliver, such financial statements and other financial information pertaining to Sublessee and such guarantor as may be reasonably required by such lender or purchaser. Sublessee's failure to provide such information or cause such information to be provided within ten (10) days after written demand shall constitute an Event of Default by Sublessee hereunder.

24. Notices. Any notice, request, demand, approval or consent given or required to be given under this Sublease shall be, unless otherwise stated, in writing and shall be deemed to have been given (i) when hand delivered to the other party; or (ii) on the day on which the same shall have been mailed by United States registered or certified mail, return receipt requested, with all postage prepaid, or by Federal Express or similar nationally-recognized overnight courier service that provides evidence of delivery, to the address of the party to receive such notice as set forth in the preamble hereof, provided that either party may, by such manner of notice, add or substitute one or more persons or addresses for provision of such notice.

25. Sublessee Representations.

(a) Neither Sublessee nor any key personnel of Sublessee nor any of Sublessee's underlying beneficial owners have engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other anti-money laundering regulations or conventions, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. §1 et seq., as amended), any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 and the regulations promulgated thereunder (collectively, the "Patriot Act"), or any order issued with respect to anti-money laundering by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"); or (ii) in contravention of Executive Order No. 13224 issued by the President of the United States on September 24, 2001 (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or supplemented from time to time ("Executive Order 13224"); or (iii) on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, OFAC, Financial Action Task Force, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, or any country

or organization, all as may be amended from time to time.

(b) Neither Sublessee nor any key personnel of Sublessee nor any of the underlying beneficial owners of Sublessee is or will be a person or entity (i) that is listed in the Annex to or is otherwise subject to the provisions of Executive Order 13224; or (ii) whose name appears on OFAC's most current list of "Specially Designated Nationals and Blocked Persons," (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, <http://www.treas.gov/ofac/t11sdn.pdf>); or (iii) who commits, threatens to commit or supports "terrorism", as that term is defined in Executive Order 13224; or (iv) who has been associated with or is otherwise affiliated with any entity or person listed above.

(c) Sublessee represents that it has all requisite power and authority to enter into this Sublease and the person executing this Sublease on behalf of Sublessee represents that he or she has all requisite power and authority to do so.

26. Miscellaneous Provisions.

(a) Invalidity of Particular Provisions. If any term or provision of this Sublease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Sublease shall be valid and be enforced to the fullest extent permitted by applicable Laws.

(b) Governing Law. This Sublease, and all claims or causes of action (whether arising in contract, in tort, or by statute) that may be based upon, arise out of or relate to this Sublease, shall be governed by and enforced in accordance with the internal laws of the State of Maine, including its statutes of limitations, without regard or reference to conflicts of law principles.

(c) Interpretation. Whenever the word “include,” “includes,” or “including” is used in this Sublease, it is deemed to be followed by the words “without limitation.” The terms “this Sublease,” “hereof,” “herein,” “hereby,” “hereunder” and similar expressions refer to this Sublease as a whole and not to any particular section of this Sublease unless the context otherwise requires. The word “person” includes any individual, corporation, firm, association, partnership (general or limited), joint venture, limited liability company, trust, estate or other legal entity. The section and sub-section headings throughout this instrument are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Sublease. Whenever in this Sublease provision is made for the doing of any act by any party, it is understood and agreed that said act shall be done by such party at its own cost and expense, unless a contrary intent is expressed.

(d) Entire Agreement; Binding Effect. All negotiations, considerations, representations, and understandings between Sublessor and Sublessee are incorporated herein and may be modified or altered only by agreement in writing between Sublessor and Sublessee, and no act or omission of any employee or agent of Sublessor shall alter, change, or modify any

of the provisions hereof. All rights, obligations and liabilities contained herein given to, or imposed upon, Sublessor and Sublessee shall extend to and bind the several respective administrators, trustees, receivers, legal representatives, successors, heirs and permitted assigns of Sublessor and Sublessee. If the “Sublessee” under this Sublease consists of more than one person or entity, each such person and/or entity shall be bound jointly and severally by the terms, covenants and agreements herein and jointly and severally liable for all obligations arising hereunder.

(e) Language. Words of any gender used in this instrument shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

(f) Recording; Notice of Sublease. Sublessor and Sublessee agree that this Sublease shall not be recorded. The parties agree that at the request of either party, they will execute, acknowledge, and deliver a notice or memorandum of this Sublease in recordable form for recording in the Oxford County Registry of Deeds. The requesting party shall bear the expense of recording such notice or memorandum. The Memorandum of Sublease shall not be construed to vary the terms and conditions hereof. Sublessor and Sublessee also agree that, upon the request of either party, they will execute, acknowledge, and deliver a commercially reasonable instrument in recordable form with respect to the termination date of this Sublease.

(g) Timeliness of Sublessor's Notices. Sublessor's failure during the Sublease Term to prepare or deliver any of the statements, notices, or bills, or invoices for any sum payable by Sublessee under this Sublease shall not in any way cause Sublessor to forfeit or surrender its rights to collect any amount that may have become due and owing from Sublessee during the Sublease Term.

(h) Waiver of Jury Trial. Sublessee, for itself and its heirs, successors, and assigns, does hereby **WAIVE THE RIGHT TO A TRIAL BY JURY** in any action or proceeding based upon, or related to, the subject matter of this Sublease. This waiver is knowingly, intentionally, and voluntarily made by Sublessee and Sublessee acknowledges that neither Sublessor nor any person acting on behalf of Sublessor has made any representations of fact to induce this waiver of trial by jury or in any way to modify or nullify its effect. Sublessee further acknowledges that it has been represented (or has had the opportunity to be represented) in the signing of this Sublease and in the making of this waiver by independent legal counsel, selected of its own free will, and that it has had the opportunity to discuss this waiver with counsel. Sublessee further acknowledges that it has read and understands the meaning and ramifications of this waiver provision.

(i) Brokerage. Sublessor represents and warrants to Sublessee that it has employed no brokers, agents, or consultants with respect to this transaction, and Sublessor shall be solely responsible for the Broker's fee. Sublessor agrees to indemnify and hold Sublessee harmless from any claim by any broker or agent claiming compensation in respect of this transaction alleging an agreement with Sublessor. Sublessee represents and warrants to Sublessor that it has employed no brokers, agents, or consultants with respect to this transaction, and Sublessee agrees to indemnify and hold Sublessor harmless from any claim by any broker or

agent claiming compensation in respect of this transaction alleging an agreement with Sublessee. The obligations under this Section 26(i) shall survive the consummation of the transaction contemplated hereby.

27. Additional Provisions Pertaining to Subleased Personal Property.

(a) Without limiting any other provision of this Sublease, Sublessee agrees that (i) title to the Subleased Personal Property shall remain vested in Landlord; (ii) Sublessee will not represent to any party that Sublessee has title to the Subleased Personal Property; (iii) the Subleased Personal Property may not be used as collateral to secure any obligations of Sublessee to any party; (iv) Sublessee will not allow the Subleased Personal Property to become encumbered in any way whatsoever; and (v) Sublessee will not remove the Subleased Personal Property from the Real Property without the written consent of Landlord and Sublessor. Sublessee agrees that Landlord may file any financing statements or other documents Landlord deems reasonably necessary or desirable to protect or enforce its rights and interest in the Subleased Personal Property and Sublessee agrees to execute such documents as Landlord reasonably requests in connection therewith. In the event any of the Subleased Personal Property is lost, stolen, damaged, or destroyed, Sublessee will be responsible for the full replacement of the same.

(b) THE SUBLEASED PERSONAL PROPERTY IS BEING PROVIDED TO SUBLESSEE IN "AS IS, WHERE IS" CONDITION, WITH ALL FAULTS. AND SUBLESSOR MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTY OF MERCHANTABILITY, WITH RESPECT TO THE SUBLEASED PERSONAL PROPERTY, AND ALL SUCH WARRANTIES AND REPRESENTATIONS ARE EXPRESSLY DISCLAIMED BY SUBLESSOR.

28. Multiple Counterparts. This Sublease may be executed in multiple counterparts, each of which will constitute an original, and all of which, taken together, will constitute a single instrument.

[Signature Page Follows.]

IN WITNESS WHEREOF, Sublessor and Sublessee have caused this Sublease to be executed by their duly authorized undersigned representatives as an instrument under seal as of the day and year first written above.

WITNESS: SUBLESSOR:

KBS BUILDERS, INC.

By:____ Name:____ Title:____

SUBLESSEE:

PATRIOT PRECAST, LLC

By:___ Printed Name: ___Its: ___

By its signature below, Landlord hereby consents to the foregoing Sublease Agreement:

LANDLORD:

947 WATERFORD ROAD, LLC

By:____ Printed Name: ____ Its: ____

EXHIBIT A

(Description of Subleased Premises)

A CERTAIN LOT or parcel of land with the buildings thereon, situated in Waterford, in the County of Oxford and State of Maine, lying on the westerly side of the Pike Road, so-called, and the northerly side of the Johnson Road, so-called, bounded and described as follows:

Beginning at a stone post at the intersection of the westerly side of the Pike Road with the northerly side of the Johnson Road;

Thence running North 6° 56" West by the westerly side of the Pike Road, one thousand two hundred sixty-nine and four-tenths (1,269.4) feet to an iron pipe at the most southeasterly corner of land now or formerly of A.W. Blake;

Thence running South 82° West along said Blake land, two hundred and seven-tenths (200.7) feet to an iron pipe at the most southwesterly corner of said Blake land;

Thence running North 7° 53" West along said Blake land, one hundred seventy-seven (177.0) feet to an iron pipe set in a stone wall;

Thence running South 62° 27' West, along other land of Elan One, or its successors and assigns, five hundred eighty-seven (587.0) feet to a drill hole in a stone wall at the most northerly corner of land now or formerly of one Webb;

Thence running South 19° 25' East along said stone wall and land of Webb, one thousand three hundred forty-one and six-tenths (1,341.6) feet to an iron pipe on the northerly side of the Johnson Road;

Thence running North 76° 04' East along said Johnson Road, four hundred forty-three and three-tenths (443.3) feet to an angle in said Road near the intersection of said Road with the Pike Road;

Thence running North 42° 22' East, thirty and nine-tenths (30.9) feet to the first mentioned stone post and the point of beginning.

The directions herein are based on magnetic North as of November 1974.

TOGETHER WITH the rights described in the Easement Deed of Edward K. Keiser, Jr. to Modular Properties, LLC dated December 11, 2007 and recorded in Book 4238, Page 194.

TOGETHER WITH the right to enter upon other land of Elan One, its successors and assigns, on the easterly side of the Pike Road for the purpose of laying and maintaining a water pipe or conduit leading from the herein conveyed premises to a swamp near the Morse Brook, provided, however, that immediately following any such entry for such purposes, the Grantee, its successors and assigns, shall restore the said premises of Elan One, its successors and assigns, to the condition existing just prior to such entry.

SUBJECT TO conditions relating to the maintenance of trees and use of the premises as set forth in a certain deed from Elan One to Dale Sanborn dated April 25, 1978 and recorded in the Oxford County Registry of Deeds in Book 983, Page 298.

MEANING AND INTENDING to describe all those same premises described in Parcel Four in a deed from KBS Builders, Inc. to 947 Waterford Road LLC by deed dated April 2, 2019 and recorded in Book 5456, Page 865 in the Oxford County Registry of Deeds, Eastern Division.

EXHIBIT A-1

(4) DEMAG 14-TON TOP RIDING OVERHEAD BRIDGE CRANES, 55' SPAN, WITH DEMAG 14-TON HOIST, S/N'S: 94005; 94006; 94007; 94008

(2) DEMAG 10-TON TOP RUNNING OVERHEAD BRIDGE CRANES, 75" SPAN, EACH WITH (1) 10-TON DEMAG HOIST, S/N'S: 93358; 93359

(2) MASS CRANE & HOIST 3-TON CAPACITY SINGLE GIRDER TOP RUNNING OVERHEAD CRANES, 55' SPAN, EACH WITH (1) 3-TON SPACEMASTER HOIST, S/N'S: 042684; 042684

(3) WRIGHT 5-TON OVERHEAD BRIDGE CRANES, 55' SPAN, CAB DRIVEN, WITH 5- TON HOIST (NOT OPERATIONAL)

ESCROW AGREEMENT

This ESCROW AGREEMENT (this “**Agreement**”) is made and entered into effective as of June , 2021 (the “**Effective Date**”), by and between **BARNUM HOLDINGS, LLC**, a Maine limited liability company, having a business mailing address of PO Box 718 Camden, Maine 04843 (“**Buyer**”), **947 WATERFORD ROAD, LLC**, a Delaware limited liability company, having a business mailing address of 53 Forest Avenue, Old Greenwich, CT 06870 (“**Seller**”), and **PERKINS THOMPSON, P.A.**, a Maine professional association with a place of business at One Canal Plaza, Portland, Maine 04101 (“**Escrow Agent**”).

RECITAL:

WHEREAS, Buyer and Seller have entered into that certain Contract for the Sale of Commercial Real Estate dated June 4, 2021 (the “**Contract**”), pursuant to which, among other things, Seller has agreed to sell to Buyer, and Buyer has agreed to purchase from Seller, certain real estate located at 947 Waterford Road, Waterford, Maine (the “**Property**”);

WHEREAS, pursuant to the Contract, Buyer has agreed to deposit a certain portion of the total purchase price for the Property into escrow to be held and distributed by Escrow Agent pursuant to, and in accordance with, the terms and conditions of this Agreement;

WHEREAS, Buyer and Seller desire to appoint Escrow Agent as the escrow agent under this Agreement, and Escrow Agent desires to accept such appointment, upon the terms and conditions of this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to Seller’s and Buyer’s respective obligations under the Contract.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual and dependent covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Defined Terms. Any and all capitalized terms that are used but not otherwise defined in this Agreement have the meanings ascribed to them in the Contract.

2. Deposit of Escrowed Funds; Escrow Account. Buyer shall deposit, simultaneously with the execution and delivery of this Agreement, Ten Thousand and 00/100 Dollars (\$10,000.00) (the “**Escrowed Funds**”), by wire transfer of immediately available funds, into Escrow Agent’s IOLTA account (the “**Escrow Account**”). Escrow Agent hereby acknowledges receipt of the Escrowed Funds and agrees to hold the Escrowed Funds in the Escrow Account, subject to the terms and conditions of this Agreement. Seller and Buyer agree that Escrow Agent does not assume any responsibility for Seller’s or Buyer’s failure to perform its respective obligations under the Contract or this Agreement. The Escrow Account shall be held as a trust fund and shall not be subject to any lien, attachment, trustee process, or

any other judicial process of any creditor of any party hereto. Escrow Agent shall not disburse the Escrowed Funds except in accordance with the express terms and conditions of this Agreement.

3. Disbursement of Escrowed Funds. Subject to the terms and conditions of this Agreement, Escrow Agent shall disburse the Escrowed Funds as follows:

(a) upon Escrow Agent's receipt of joint, written instructions from Buyer and Seller notifying Escrow Agent to disburse to either Buyer or Seller, in accordance with such joint, written instructions (the "**Written Instructions**"); or

(b) if Escrow Agent does not receive Written Instructions, in accordance with a court or arbitrator's order.

Upon Escrow Agent's disbursement of the Escrowed Funds pursuant to, and in accordance with, this Agreement, all rights and obligations of Escrow Agent shall be deemed to have been satisfied, neither Buyer nor Seller shall have any recourse against Escrow Agent, and this Agreement will terminate automatically.

4. Duties of Escrow Agent. Escrow Agent's duties hereunder are purely ministerial in nature and shall be determined solely by the express terms and conditions of this Agreement. If there is any dispute between any of the parties hereto whether Escrow Agent is obligated to disburse the Escrowed Funds pursuant to this Agreement, then Escrow Agent shall not be obligated to make such disbursement but, instead, shall hold the Escrowed Funds until receipt by the Escrow Agent of an authorization in writing signed by all persons having an interest in said dispute, directing the disposition of the funds, or in the absence of such authorization, Escrow Agent shall hold the funds until a final determination of the rights of the parties hereto in an appropriate proceeding. If such written authorization is not given, or proceedings for such determination are not begun and diligently continued, then Escrow Agent may, but is not required to, retain counsel and bring an appropriate action or proceeding for leave to deposit the Escrowed Funds pending such determination. Escrow Agent shall be reimbursed for all costs and expenses that Escrow Agent incurs in connection with such action, or proceeding, including reasonable and documented attorneys' fees, by the parties hereto. If threatened with litigation, then Escrow Agent is hereby authorized by the undersigned to interplead all interested parties in any court of competent jurisdiction and to Escrowed Funds the funds with the clerk of the court, and thereupon the Escrow Agent shall be fully relieved and discharged of any further responsibility under this Agreement.

5. Liability of Escrow Agent. Escrow Agent shall not be liable for any mistake of fact or error of judgment or any acts or omissions of any kind unless caused by its willful misconduct or gross negligence. The parties hereto each release the Escrow Agent from liability for any act done or omitted to be done by Escrow Agent in good faith in the performance of its obligations and duties hereunder. Escrow Agent shall be entitled to rely on any instrument or signature believed by it to be genuine and may assume that any person purporting to give any writing, notice, or instruction in connection with this Agreement is duly authorized to do so by the party hereto on whose behalf such writing, notice or instruction is given.

6. Indemnification of Escrow Agent. Buyer and Seller hereby jointly and severally indemnify and hold Escrow Agent harmless from and against any liability, loss, damage, or expense including, without limitation, reasonable and documented attorneys' fees, that Escrow Agent incurs in connection with this Agreement and its performance hereunder or in connection herewith, except to the extent that such liability, loss, damage, or expense arises from Escrow Agent's bad faith, willful misconduct, or gross negligence.

7. Acknowledgement of Parties. Buyer and Seller acknowledge that Escrow Agent is Seller's counsel in connection with the transaction contemplated by the Contract. Buyer and Seller each hereby consent to Escrow Agent's continued representation of Seller in that transaction, which may include disputes over the disbursement of the Escrowed Funds.

8. Resignation of Escrow Agent. Escrow Agent reserves the right to resign at any time by giving at least thirty (30) days' written notice of resignation, specifying the effective date thereof. On the effective date of such resignation, Escrow Agent shall deliver this Agreement together with the Escrowed Funds and any and all related instruments or documents to any successor escrow agent mutually agreeable to Buyer and Seller. If a successor escrow agent has not been appointed and has not accepted such appointment prior to the effective date of Escrow Agent's resignation, Escrow Agent may petition any court of competent jurisdiction for appointment of a successor escrow agent. Any such resulting appointment shall be binding upon all of the parties to this Agreement. Notwithstanding anything to the contrary in the foregoing, Escrow Agent or any successor escrow agent shall continue to act as Escrow Agent until a successor is appointed and qualified to act as Escrow Agent.

9. Miscellaneous.

(a) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(b) This Agreement may not be changed or modified except as agreed in a writing signed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

(c) This Agreement supplements, and does not supersede, any previous agreements between Buyer and Seller, including the Contract. In the event that a conflict arises between the Contract and this Agreement, this Agreement shall control.

(d) Escrow Agent shall be entitled to any out-of-pocket costs for its services performed hereunder.

(e) All notices required or permitted hereunder shall be in writing and addressed, if to Buyer, at Buyer's mailing address set forth below or such other address as Buyer shall have last designated by notice in writing to Escrow Agent, and, if to Seller, at Seller's mailing address set forth below or such other address as Seller shall have last designated by notice in writing to Escrow Agent. Any notice shall be deemed duly given when mailed to such mailing address postage repaid, registered or certified mail, return receipt requested, sent via recognized overnight courier, or hand-delivered to such mailing address.

If to Buyer: Barnum Holdings, LLC
P.O. Box 718 Camden, ME 04843

With Copy to: Thomas E. Schoening III, Esq.

Drummond & Drummond, LLP One Monument Way
Portland, ME 04101

If to Seller: 947 Waterford Road, LLC 53 Forest Avenue
Old Greenwich, CT 06870

with a copy to: Perkins Thompson
One Canal Plaza, 9th Floor Portland, ME 04101
Attn: Julianne C. Ray, Esq.

If to Escrow Agent: Perkins Thompson
One Canal Plaza, 9th Floor Portland, ME 04101
Attn: Julianne C. Ray, Esq.

(f) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maine.

[Remainder of Page Left Intentionally Blank. Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned parties have executed this Escrow Agreement as of the Effective Date.

BUYER:

BARNUM HOLDINGS, LLC

By: /s/ Evan Colman

Evan Coleman

Title:___

SELLER:

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble

David J. Noble

President

ESCROW AGENT:

PERKINS THOMPSON

By: /s/ Julianne C. Ray

Julianne C. Ray

Attorney

EIGHTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS EIGHTEENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (this “Eighteenth Amendment”) is entered into as of this 30 day of July, 2021 (the “Effective Date”), by and among **Gerber Finance Inc.** (“Lender”), **KBS Builders, Inc.**, a Delaware corporation, (the “Borrower”), **ATRM Holdings, Inc.**, a Minnesota corporation, and **Star Equity Holdings, Inc.**, a Delaware corporation (individually or collectively, as the context may require, “Guarantor”), having an address at 53 Forest Ave, Old Greenwich, CT 06831.

RECITALS

A. Borrower has executed and delivered to Lender a certain Promissory Note, dated February 23, 2016, in the original maximum principal sum of Four Million Dollars (\$4,000,000.00) (the “Note”) payable to the order of Lender.

B. Lender and Borrower entered into a Loan and Security Agreement dated as of February 23, 2016, as amended by (i) the First Amendment to Loan and Security Agreement dated November 30, 2016, (ii) the Second Amendment to Loan and Security Agreement dated November 30, 2016, (iii) the Third Amendment to Loan and Security Agreement dated June 30, 2017, (iv) the Fourth Amendment to Loan and Security Agreement dated July 19, 2017, (v) the Fifth Amendment to Loan and Security Agreement dated September 29, 2017, (vi) the Sixth Amendment to Loan and Security Agreement dated December 22, 2017, (vii) a series of emails between representatives of the parties sent January 12 - 14, 2018 characterized as a Seventh Agreement of Amendment to Loan and Security Agreement), (viii) the Eight Amendment to Loan and Security Agreement dated October 1, 2018, (ix) the Ninth Amendment to Loan and Security Agreement dated February 22, 2019, (x) the Tenth Amendment to Loan and Security Agreement dated April 1, 2019, (xi) the Eleventh Amendment to Loan and Security Agreement dated April 15, 2019, (xii) Consent and Acknowledgement Agreement and Twelfth Amendment to Loan Agreement dated September 10, 2019, (xiii) the Thirteenth Amendment to Loan and Security Agreement dated January 31, 2020, (xiv) the Fourteenth Amendment to Loan and Security Agreement dated March 5, 2020, (xv) the Fifteenth Amendment to Loan and Security Agreement dated April 1, 2020, (xvi) the Sixteenth Amendment to Loan and Security Agreement dated January 5, 2021, and (xvii) the Seventeenth Amendment to Loan and Security Agreement dated February 26, 2021 (such Loan and Security Agreement, as so amended and as it may be further amended, restated, supplemented or otherwise modified from time to time, being the “Loan Agreement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Loan Agreement.

C. The Loans are secured by, among other things, each Guarantor’s guaranty by its execution of the Loan Agreement as a Corporate Credit Party (“Guaranty”).

D. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

E. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31, 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; each is no longer a Subordinated Lender as defined in the Loan Agreement and their respective Subordination Agreements are being cancelled and replaced by an Amended and Restated Subordination Agreement of even date executed by Star

Equity Holdings, Inc., which has retired the underlying debt or otherwise agreed to replace Lone Star Co-Invest I, LP and Lone Star Value Management, LLC as a Subordinated Lender.

F. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

G. Star Real Estate Holding USA, Inc. has executed a Subordination Agreement dated July 30, 2021 and is a Subordinated Lender as defined in the Loan Agreement.

H. The Note, the Guaranty, each Subordination Agreement, the Loan Agreement, and all other Credit Documents and Ancillary Loan Documents executed by Borrower and Guarantor, Credit Parties and Ancillary Credit Parties and/or others in connection with the Loans in effect and as amended prior to the date hereof are hereafter collectively referred to as the “Credit Documents”.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Eighteenth Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Borrower, each Guarantor, each Credit Party, each Ancillary Credit Party and Lender agree (or to the extent they are not a party thereto, acknowledge) that the Credit Documents are hereby amended as of the Effective Date as follows:

(a) Section 1.1 Definitions is hereby amended to read as follows:

“Ancillary Credit Parties” means each Person (other than Lender) that executes any or multiple Credit Documents but not the Loan Agreement including but not limited to Star Equity Holdings, Inc., Star Procurement, LLC and Star Real Estate Holdings USA, Inc., which has each executed an Amended and Restated Subordination Agreement or Subordination Agreement dated January 31, 2020 and July 30, 2021.”

“Subordinated Lender” means collectively, any Person who now or hereafter enters into a Subordination Agreement with Lender with respect to amounts owed by any Credit Party to such Subordinated Lender, including but not limited to ATRM Holdings, Inc., Star Equity Holdings, Inc., Star Procurement, LLC and Star Real Estate Holdings USA, Inc..”

2. The Borrower’s failure to comply with the “Net Income” and “Minimum “EBITDA” financial covenants on Schedule III of the Loan Agreement as of June 30, 2021 constitute Events of Default under the Loan Agreement. Lender hereby agrees to grant a waiver thereof provided, however, that this waiver does not constitute (i) a modification or an alteration of any of the terms, conditions or covenants of the Loan Agreement or any Credit Documents, all of which remain in full force and effect, or (ii) a waiver, release or limitation upon Lender’s exercise of any of its rights and remedies thereunder, all of which are hereby expressly reserved, or (iii) a waiver of compliance with Schedule III for any other

period or purpose. This waiver does not relieve or release the Borrower in any way from any of the other respective duties,

obligations, covenants or agreements under the Loan Agreement or the other Credit Documents or from the consequences of any other Events of Default thereunder, except as expressly described above. This waiver does not obligate Lender, or be construed to require Lender, to waive any other Event of Default or defaults, whether now existing or which may occur after the date of this waiver.

3. Nothing contained herein shall limit, impair, terminate or revoke the obligations of the parties under the Credit Documents, and such obligations shall continue in full force and effect in accordance with the respective terms and provisions of the Credit Documents, as modified hereby. Borrower hereby ratifies and agrees to pay when due all sums due or to become due or owing under the Loan Agreement or the other Credit Documents and the parties shall hereafter faithfully perform all of its obligations under and be bound by all of the provisions of the Credit Documents, as modified hereby, and hereby ratifies and reaffirms all of its obligations and liabilities under the Credit Documents, as modified hereby.

4. This Eighteenth Amendment and the execution of the other documents required to be executed in connection herewith do not constitute the creation of a new debt or the extinguishment of the debt evidenced by the Credit Documents, nor will they in any way affect or impair the liens and security interests created by the Credit Documents. The parties agree that the lien and security interests created by the Credit Documents continue to be in full force and effect, unaffected and unimpaired by this Eighteenth Amendment and that said liens and security interests shall so continue in their perfection and priority until the Obligations secured by the Credit Documents are fully discharged.

5. Each of Borrower, Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, "Releasing Parties"), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in-interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the "Lender Parties"), from all debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Credit Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

6. Borrower, Guarantor and the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrower, Guarantor or any Credit Party in connection with this Eighteenth Amendment or of any breach of any of the representations or warranties made in any material respect.

7. Borrower agrees to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Eighteenth Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof. Borrower also agrees to pay a fee of \$5,000 to Lender as of the date hereof on account of the covenant waivers in Paragraph No. 2 hereof.

8. With respect to all notices or other written communications hereunder, such notice or written communication shall be given in writing, and shall be deemed effective upon delivery pursuant to

the Loan Agreement.

9. This Eighteenth Amendment and all other documents executed in connection herewith shall each constitute a Credit Document for all purposes under the Note, the Guaranty, the Subordination Agreement, the Loan Agreement and the other Credit Documents. All references in each of the Credit Documents to the Loan Agreement shall be deemed to be a reference to the Loan Agreement as amended by this Eighteenth Amendment and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All references in each of the Credit Documents to the Credit Documents or to any particular Credit Document shall be deemed to be a reference to such Credit Documents as amended by this Eighteenth Amendment, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time. All references in the Credit Documents to a particular section of a Credit Document shall be deemed to be a reference to the particular section of such Credit Document as amended by this Eighteenth Amendment, and as the same may be further amended, restated, replaced, supplemented, renewed, extended or otherwise modified from time to time.

10. Except as expressly amended hereby, each Credit Document shall remain in full force and effect in accordance with its terms and provisions, without any waiver, amendment or modification of any provision thereof.

11. This Eighteenth Amendment may not be amended, modified or otherwise changed in any manner except by a writing executed by all of the parties hereto.

12. In case any provision of this Eighteenth Amendment shall be invalid, illegal, or unenforceable, such provision shall be deemed to have been modified to the extent necessary to make it valid, legal and enforceable. The validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

13. This Eighteenth Amendment is binding on, and shall inure to the benefit of the parties hereto, their administrators, executors, and successors and assigns; provided, however, that Borrower, each Credit Party and each Guarantor may only assign its rights hereunder to the extent permitted in the Credit Documents.

14. This Eighteenth Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflict of laws provisions of said state.

15. This Eighteenth Amendment constitutes all of the agreements among the parties relating to the matters set forth herein and supersedes all other prior or concurrent oral or written letters, agreements and understandings with respect to the matters set forth herein.

16. This Eighteenth Amendment may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Eighteenth Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Eighteenth Amendment. Any party delivering an executed counterpart of this Eighteenth Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Eighteenth Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Eighteenth Amendment.

17. BORROWER, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS EIGHTEENTH AMENDMENT, THE CREDIT DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[Signatures appear on the following pages]

IN WITNESS WHEREOF, the undersigned have caused this Eighteenth Amendment to be executed as of the day and year first above written.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

KBS BUILDERS, INC.

By: /s/ Matthew Mosher
Name: Matthew Mosher
Title: General Manager

GUARANTOR:

ATRM HOLDINGS, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Chairman of the Board

[Signature Page to Eighteenth Amendment to Loan and Security Agreement-Consent Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Eighteenth Amendment to be executed as of the day and year first above written.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry

Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

KBS BUILDERS, INC.

By: /s/ Matthew Mosher

Name: Matthew Mosher
Title: General Manager

GUARANTOR:

ATRM HOLDINGS, INC.

By: /s/ David J. Noble

Name: David J. Noble
Title: President

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffery E. Eberwein

Name: Jeffery E. Eberwein
Title: Executive Chairman

[Signature Page to Eighteenth Amendment to Loan and Security Agreement-Consent Page Follows]

**CONSENT TO EIGHTEENTH AMENDMENT TO LOAN AND
SECURITY AGREEMENT**

We hereby consent and agree to the attached terms of the Eighteenth Amendment to Loan and Security Agreement.

ATRM HOLDINGS, INC.

(as Creditor pursuant to Amended and Restated Subordination Agreement
dated January 31, 2020)

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

STAR EQUITY HOLDINGS, INC.

(as Creditor pursuant to Amended and Restated Subordination Agreement dated July 30, 2021)

By: /s/ Jeffrey E. Eberwein

Name: Jeffrey E. Eberwein

Title: Executive Chairman

STAR PROCUREMENT, LLC

(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

STAR REAL ESTATE HOLDINGS USA, INC.

(As Creditor pursuant to Subordination Agreement dated July 30, 2021)

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

[End of Signature Page to Consent to Eighteenth Amendment to Loan and Security Agreement]

SUBORDINATION AGREEMENT

This **SUBORDINATION AGREEMENT**, effective as of July 30, 2021 and among, **Star Real Estate Holdings USA, Inc.**, A Delaware corporation, (“Creditor”), and **Gerber Finance Inc.**, a New York corporation (hereinafter referred to as “Gerber”).

BACKGROUND

A. The Creditor has made or agreed to make loans to 300 Park Street, LLC, a Delaware limited liability company, 947 Waterford Road, LLC, a Delaware limited liability company, 56 Mechanic Falls Road, LLC, a Delaware limited liability company, and KBS Builders, Inc., a Delaware corporation (the “Subordinated Loans”), which are or may hereafter be evidenced by one or more promissory notes (the “Subordinated Notes”).

B. The Creditor desires that Gerber extend credit to Star Real Estate Holdings USA, Inc., 300 Park Street, LLC, a Delaware limited liability company, 947 Waterford Road, LLC, a Delaware limited liability company, 56 Mechanic Falls Road, LLC, a Delaware limited liability company, KBS Builders, Inc., a Delaware corporation, EdgeBuilder, Inc., a Delaware corporation and Glenbrook Building Supply, Inc., a Delaware corporation (individually and collectively, “Borrower”) pursuant to the Loan and Security Agreements dated February 23, 2016 and January 31, 2020, as amended (the “Credit Agreement”). It is a condition precedent to the extension of credit by Gerber under the Credit Agreement that the Creditor shall have agreed, as hereinafter more fully set forth, that all of the obligations of the Borrower to the Creditor under or in respect of the Subordinated Loans and the Subordinated Notes be subordinated in payment to all obligations of the Borrower to Gerber under the Credit Agreement.

C. The Creditor, by reason of the various advantages which will accrue to it as a result of their doing so, is willing to agree to such subordination and to confirm certain additional understandings on its part with respect to the foregoing on the terms and conditions hereinafter set forth.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained and of such extensions of credit as Gerber has made or at any time hereafter may make to the Borrower under the Credit Agreement, and intending to be legally bound hereby, the parties hereto mutually covenant and agree as follows:

1. The Creditor agrees that all obligations, indebtedness and other liabilities of the Borrower to the Creditor under or in respect of the Subordinated Loans and the Subordinated Notes, whether due or to become due, direct or indirect, primary or secondary, fixed or contingent (all of such obligations, indebtedness and other liabilities of the Borrower to the Creditor being herein referred to collectively as the “Subordinated Liabilities”), shall be subordinated and junior in right of payment, to the extent and according to the terms and conditions set forth herein, to all Obligations, indebtedness and other liabilities of the Borrower to Gerber under or in respect of the Credit Agreement or any of the Credit Documents referred to therein or any Note to be issued thereunder, as may be subsequently amended, whether due or to become due, direct or indirect, primary or secondary, fixed or contingent (all of such obligations, indebtedness and other liabilities of the Borrower to Gerber being herein referred to collectively

as the "Superior Indebtedness"), and the Creditor agrees that, except as provided in Section 10 hereof, Gerber shall first be paid in full with interest all sums now due or that may hereafter accrue and become due and payable by the Borrower in respect of the Superior Indebtedness before the Creditor shall be paid anything by the Borrower or out of any property of the Borrower for or on account of any of the Subordinated Liabilities. The Creditor further agrees that Gerber may at any time and from time to time renew or extend the time of payment of any indebtedness of the Borrower to it, or any portion of such indebtedness, and may make new loans to the Borrower, under the Credit Agreement or otherwise, with or without a guarantee, all without any notice to the Creditor, who shall nonetheless remain fully bound by this Agreement until it has been terminated in the manner hereinafter provided.

2. The Creditor agrees that it will not accept any payment from the Borrower, nor any reduction of any indebtedness of the Borrower to the Creditor, on account of any Subordinated Liabilities, so long as there is outstanding any Superior Indebtedness of the Borrower to Gerber.

3. The Borrower agrees that it will not make any payment to the Creditor on account of any Subordinated Liabilities so long as there is outstanding any Superior Indebtedness of the Borrower to Gerber.

4. The Creditor agrees to forbear the institution against the Borrower of any proceedings at law or in equity, or otherwise howsoever, to collect any principal, interest or other payment on any Subordinated Liabilities or to demand, exercise, set off, enforce, collect, execute, levy or foreclose any remedies regarding the performance of any Subordinated Liabilities or other obligation of the Borrower to the Creditor in respect of the Subordinated Liabilities, so long as any Superior Indebtedness is outstanding.

5. In the event a petition is filed or a proceeding is commenced under the Bankruptcy Code or any state insolvency act by or against the Borrower, or a petition for the appointment of a receiver of the Borrower or any of its assets is filed, or the business or assets of the Borrower is assigned for the benefit of the Borrower's creditors or is taken over by a committee representing the Borrower's creditors, or the Borrower shall become insolvent, or any step shall be taken in the liquidation of the Borrower, then and in any such event all of the Borrower's liabilities to Gerber shall for purposes of this Agreement and the Superior Indebtedness forthwith become and be due and payable and all bankruptcy dividends and other payments on account of any of the claims of the Creditor against the Borrower, whether or not hereinabove mentioned, on or in respect of the Subordinated Liabilities, shall be payable to Gerber for immediate application against the indebtedness of the Borrower to Gerber and to the discharge of all Superior Indebtedness of the Borrower to Gerber, until all such Superior Indebtedness of the Borrower to Gerber, with interest thereon (including without limitation post- petition interest accrued at the applicable rate or rates specified in the Credit Agreement and any Note issued thereunder to the date of payment), has been paid in full. The Creditor hereby assigns, transfers and sets over unto Gerber, any and all such bankruptcy dividends and payments on or in respect of the Subordinated Liabilities, together with all of the Creditor's right to receive the same, and covenants that if any such payments or bankruptcy dividends on or in respect of the Subordinated Liabilities shall come into the possession of the Creditor, it will receive the same as trustee for Gerber and will immediately account to Gerber for the same and deliver the

same over to Gerber until such time as the Superior Indebtedness is indefeasibly paid. The Borrower hereby acknowledges receipt of notice of such assignment and consents thereto. If any such bankruptcy dividends or payments received by Gerber on the above-mentioned claims of the Creditor against the Borrower on account of the Subordinated Liabilities, when added to any bankruptcy dividends or payments received directly by Gerber, shall be sufficient to pay in full all indebtedness of the Borrower to Gerber under or in respect of the Credit Agreement and all other Superior Indebtedness, if any, together with interest thereon (accrued as aforesaid), Gerber shall pay the amount of any excess to the Creditor and Gerber shall thenceforth similarly pay to the Creditor any additional bankruptcy dividends or other payments they may thereafter receive on account of the indebtedness of the Borrower to Gerber.

6. The Creditor shall join in any request made by Gerber that Creditor participate and otherwise cooperate fully with Gerber in any proceeding or undertaking by Gerber to enforce Gerber's rights and remedies pursuant to the Superior Indebtedness. The Creditor shall not contest the prior rights and remedies of Gerber in any proceeding, whether or not a bankruptcy or insolvency proceeding. Creditor shall vote and act (including, but not limited to, filing such documents and proofs of claim) consistent with the interests of Gerber and the terms of this Subordination Agreement in the event of a bankruptcy or insolvency proceeding, so long as such is not inconsistent with the Creditor's duties and responsibilities set forth herein.

7. This instrument embodies the entire agreement of the parties hereto concerning the subject matter hereof, and it is acknowledged that there are no customs, representations, promises, terms, conditions or obligations referring to the subject matter, and no inducements or representations leading to the execution or delivery hereof, other than those set forth or referred to herein. No failure on the part of Gerber to exercise and no delay in exercising any right hereunder or on any Note or under the Credit Agreement, or any of the Credit Documents shall be construed as a waiver of the right to exercise the same or any other right at any other time and from time to time thereafter.

8. Gerber and any other holder of any Note issued under the Credit Agreement shall not be prejudiced in its right to enforce subordination of the Subordinated Liabilities by any act or failure to act on the part of either the Borrower or the Creditor nor by any release of security, if any, for any Note. The provisions of this Agreement are solely for the purpose of defining the relative rights of Gerber, on the one hand, and the Creditor, on the other hand, and nothing herein is intended to or shall impair, as between the Borrower and the Creditor, the obligation of the Borrower, which is absolute and unconditional, to pay to the Creditor the Subordinated Liabilities in accordance with the terms thereof, subject to the restriction set forth in Section 4 hereof and, subject to the rights of Gerber hereunder to receive cash, property or securities otherwise payable or deliverable to the Creditor.

9. Nothing herein contained shall impair any rights of Gerber with respect to any collateral hereafter pledged to Gerber as security for any indebtedness of the Borrower, or to the proceeds of such collateral. Gerber may at any time, without notice to the Creditor, release any guarantor or other party primarily or secondarily liable for any indebtedness of the Borrower to Gerber and may release all or any part of any collateral held by Gerber as security for any such indebtedness of the Borrower, all without in any manner affecting the obligations of the Creditor under this Agreement.

10. Notwithstanding anything contained herein, without constituting a violation of this Subordination Agreement Creditor may accept and may use for Borrower's working capital purposes the following: (i) proceeds from Borrower's sale of real estate assets, so long as the net proceeds payable are deposited into a non-interest bearing account maintained by Lender for Star Real Estate Holdings USA, Inc. which may be loaned by Star Real Estate Holdings USA Inc. to KBS Builders, Inc. in the absence of an Event of Default as defined in the Loan Agreement, and such proceeds to be used solely for working capital purposes of KBS Builders, Inc., and further provided that Borrower and Creditor execute a payoff letter to the foregoing effect in form and substance reasonably acceptable to Lender, and (ii) lease payments from Borrower.

11. In the event that this Agreement becomes inoperative for any reason, including without limitation the payment to Gerber of all of the indebtedness of the Borrower and the discharge of all of the obligations of the Borrower under the Superior Indebtedness, this Agreement shall not be terminated but shall immediately and automatically become operative again whenever and as often as any indebtedness of the Borrower to Gerber under or in respect of the Superior Indebtedness shall in any manner come into existence. This Agreement may be modified or terminated only by an instrument in writing signed by all of the parties hereto.

12. The Creditor hereby specifically approves and agrees to all of the terms and conditions set forth in each of the Credit Agreement (including the exhibits thereto) and all other agreements, written or oral, made between Gerber and the Borrower in connection with the transactions contemplated by the Credit Agreement and the Superior Indebtedness. The Creditor further agrees that notice of such Credit Agreement and other agreements need not be given to the Creditor and further specifically waives notice of any and all defaults on the part of the Borrower. The Creditor and the Borrower waive presentment, notice of dishonor and protest of any and all negotiable instruments evidencing any indebtedness of the Borrower under or in respect of the Credit Agreement.

13. To induce Gerber to accept this Agreement and, in reliance hereon, to make loans to the Borrower under the Credit Agreement, the Creditor hereby affixes a legend to the Subordinated Notes, that enforcement thereof is subject to this Agreement and hereby delivers copies of any and all Subordinated Notes to Gerber with such legend.

14. The Borrower and Creditor make the following representations and warranties to Gerber other than what has been set forth within the Credit Documents:

- (i) The Subordinated Liabilities is valid and the Borrower has no defense to, counterclaim, or set-off against it.
- (ii) The Creditor has not endorsed, assigned, mortgaged, hypothecated, subordinated, disposed of, or modified the Subordinated Liabilities other than as set forth in this Agreement.
- (iii) The Borrower has not mortgaged, pledged, or assigned any property, whether real or personal, as security for the Subordinated Liabilities.
- (iv) There are no liens or claims, whether pending or threatened, against the Subordinated Liabilities.

15. All notices, request, demands, directions and other communication provided for herein shall be in writing (including telegraphic communication) and shall be mailed or telegraphed or delivered in hand to the applicable party at its address indicated below:

15.1 If to the Creditor: Star Real Estate Holdings USA, Inc.
c/o Star Equity Holdings, Inc. 53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial
Officer

With a copy to (which shall not constitute notice):

Hannah M. Bible, Esq. Vice President – Legal Star
Equity Holdings, Inc.
53 Forest Avenue, 1st Floor Old Greenwich, CT 06870

15.2 If to the Borrower: Star Real Estate Holdings USA, Inc.
300 Park Street, LLC
947 Waterford Road, LLC
56 Mechanics Falls Road, LLC EdgeBuilder, Inc.
Glenbrook Building Supply, Inc. c/o Star Equity
Holdings, Inc.
53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial
Officer

With a copy to (which shall not constitute notice):

Hannah M. Bible, Esq. Vice President – Legal Star
Equity Holdings, Inc.
53 Forest Avenue, 1st Floor Old Greenwich, CT 06870

15.3 If to Gerber: Gerber Finance Inc.
8 West 40th Street, 14th Floor New York, New York
10018 Attn: Gerald Joseph

or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section. All such notices, requests, demands, directions and other communication shall, when mailed or telegraphed, be

effective when deposited in the mails or delivered to the telegraph company, as the case may be, addressed or aforesaid.

16. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State of New York. Each of the Borrower and the Creditor hereby consents to the jurisdiction of the courts of the State of New York in any action or proceeding which may be brought against it under or in connection with this Agreement or any of the transactions contemplated hereby or to enforce any covenant or undertaking contained herein or trust created hereunder, and in the event any such action or proceeding shall be brought against it, each of the Borrower and the Creditor agrees not to raise any objection to such jurisdiction or to the laying of the venue thereof in New York County, and further agrees that service of process in any such action or proceeding may be duly effected upon it by service in accordance with the provisions of the Uniform Interstate and International Procedure Act.

17. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. Each of the parties hereto expressly states that such party intends to be legally bound hereby.

18. This Agreement may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

19. THE BORROWER, THE CREDITOR AND GERBER HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY LITIGATION RELATING TO THIS AGREEMENT AS AN INDUCEMENT TO THE EXECUTION OF THIS AGREEMENT.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK — Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their names as of the day and year first above written,

STAR REAL ESTATE HOLDINGS USA, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President & Chief Executive Officer

300 PARK STREET, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President & Chief Executive Officer

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President & Chief Executive Officer

56 MECHANIC FALLS ROAD, LLC

By: /s/ David J. Noble

Name: David J. Noble

Title: President & Chief Executive Officer

[Signatures continued on following page]

[Continuation of Signature Page]

KBS BUILDERS, INC.

By: /s/ Matthew Mosher

Name: Matthew Mosher
Title: General Manager

EDGEBUILDER, INC.

By: /s/ Ron Schumacher

Name: Ron Schumacher
Title: Executive Chairman

GLENBROOK BUILDING SUPPLY, INC.

By: /s/ Ron Schumacher

Name: Ron Schumacher
Title: Executive Chairman

[Signatures continued on following page]

[Continuation of Signature Page]

GERBER FINANCE INC.

By: /s/ Kevin McGarry Name: Kevin McGarry
Title: Chief Credit Officer

[End of Signature Page to Subordination Agreement-Star Real Estate Holdings USA, Inc.]

AMENDED AND RESTATED SUBORDINATION AGREEMENT

This **AMENDED AND RESTATED SUBORDINATION AGREEMENT**, effective as of July 30, 2021 by and among, **STAR EQUITY HOLDINGS INC.** f/k/a DIGIRAD CORPORATION, a Delaware corporation (separately, jointly and severally, “Creditor”), **ATRM HOLDINGS, INC.**, a Minnesota corporation (“Guarantor”), and **Gerber Finance Inc.**, a New York corporation (hereinafter referred to as “Gerber”).

BACKGROUND

A. The Creditor has made or agreed to make loans to the Guarantor, KBS Builders, Inc., a Delaware corporation, EdgeBuilder, Inc., a Delaware corporation and Glenbrook Building Supply, Inc., a Delaware corporation (individually and collectively, “Star Borrower”) and the amounts of such loans to EdgeBuilder, Inc., and Glenbrook Building Supply, Inc., being currently in the amount of \$3,800,000.00 and the amount of such loans to KBS Builders, Inc., to be in the amount of \$3,850,000.00 (the “Subordinated Loans”), which are or may hereafter be evidenced by one or more promissory notes (the “Subordinated Notes”).

B. The Creditor and the Star Borrower desire that Gerber extend credit to Star Real Estate Holdings USA, Inc., a Delaware corporation, 300 Park Street, LLC, a Delaware limited liability company, 947 Waterford Road, LLC, a Delaware limited liability company, 56 Mechanic Falls Road, LLC, a Delaware limited liability company, KBS Builders, Inc., a Delaware corporation, EdgeBuilder, Inc., a Delaware corporation and Glenbrook Building Supply, Inc., a Delaware corporation, (individually and collectively, “Borrower”) pursuant to the Loan and Security Agreements dated February 23, 2016 and January 31, 2020, as amended (the “Credit Agreement”) It is a condition precedent to the extension of credit by Gerber under the Credit Agreement that the Creditor shall have agreed, as hereinafter more fully set forth, that all of the obligations of the Star Borrower to the Creditor under or in respect of the Subordinated Loans and the Subordinated Notes be subordinated in payment to all obligations of the Borrower to Gerber under the Credit Agreement.

C. The Star Borrower and the Creditor, by reason of the various advantages which will accrue to them as a result of their doing so, are willing to agree to such subordination and to confirm certain additional understandings on their part with respect to the foregoing on the terms and conditions hereinafter set forth.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained and of such extensions of credit as Gerber has made or at any time hereafter may make to the Borrower under the Credit Agreement, and intending to be legally bound hereby, the parties hereto mutually covenant and agree as follows:

1. The Creditor agrees that all obligations, indebtedness and other liabilities of the Star Borrower to the Creditor under or in respect of the Subordinated Loans and the Subordinated Notes, whether due or to become due, direct or indirect, primary or secondary, fixed or contingent (all of such obligations, indebtedness and other liabilities of the Star Borrower to the Creditor being herein referred to collectively as the “Subordinated Liabilities”),

shall be subordinated and junior in right of payment, to the extent and according to the terms and conditions set forth herein, to all Obligations, indebtedness and other liabilities of the Borrower to Gerber under or in respect of the Credit Agreement or any of the Credit Documents referred to therein or any Note to be issued thereunder, as may be subsequently amended, whether due or to become due, direct or indirect, primary or secondary, fixed or contingent (all of such obligations, indebtedness and other liabilities of the Borrower to Gerber being herein referred to collectively as the "Superior Indebtedness"), and the Creditor agrees that, except as provided in Section 10 hereof, Gerber shall first be paid in full with interest all sums now due or that may hereafter accrue and become due and payable by the Borrower in respect of the Superior Indebtedness before the Creditor shall be paid anything by the Star Borrower or out of any property of the Star Borrower for or on account of any of the Subordinated Liabilities. The Creditor further agrees that Gerber may at any time and from time to time renew or extend the time of payment of any indebtedness of the Borrower to it, or any portion of such indebtedness, and may make new loans to the Borrower, under the Credit Agreement or otherwise, with or without a guarantee, all without any notice to the Creditor, who shall nonetheless remain fully bound by this Agreement until it has been terminated in the manner hereinafter provided. Notwithstanding the forgoing, if Gerber increases the principal amount of the Loans in excess of \$9,500,000, Gerber shall provide Creditor notice thereof as herein provided.

2. The Creditor agrees that, except as provided in Section 10 hereof, it will not accept any payment from the Star Borrower, nor any reduction of any indebtedness of the Star Borrower to the Creditor, on account of any Subordinated Liabilities, so long as there is outstanding any Superior Indebtedness of the Borrower to Gerber.

3. The Star Borrower agrees that, except as provided in Section 10 hereof, it will not make any payment to the Creditor on account of any Subordinated Liabilities so long as there is outstanding any Superior Indebtedness of the Borrower to Gerber.

4. The Creditor agrees to forbear the institution against the Star Borrower of any proceedings at law or in equity, or otherwise howsoever, to collect any principal, interest or other payment on any Subordinated Liabilities or to demand, exercise, set off, enforce, collect, execute, levy or foreclose any remedies regarding the performance of any Subordinated Liabilities or other obligation of the Star Borrower to the Creditor in respect of the Subordinated Liabilities, so long as any Superior Indebtedness is outstanding.

5. In the event a petition is filed or a proceeding is commenced under the Bankruptcy Code or any state- insolvency act by or against the Star Borrower, or a petition for the appointment of a receiver of the Star Borrower or any of its assets is filed, or the business or assets of the Star Borrower is assigned for the benefit of the Star Borrower's creditors or is taken over by a committee representing the Star Borrower's creditors, or the Star Borrower shall become insolvent, or any step shall be taken in the liquidation of the Star Borrower, then and in any such event all of the Borrower's liabilities to Gerber shall for purposes of this Agreement and the Superior Indebtedness forthwith become and be due and payable and all bankruptcy dividends and other payments on account of any of the claims of the Creditor against the Star Borrower, whether or not hereinabove mentioned, on or in respect of the Subordinated Liabilities, shall be payable to Gerber for immediate application against the indebtedness of the Borrower to Gerber and to the discharge of all Superior Indebtedness of the Borrower to Gerber,

until all such Superior Indebtedness of the Borrower to Gerber, with interest thereon (including without limitation post-petition interest accrued at the applicable rate or rates specified in the Credit Agreement and any Note issued thereunder to the date of payment), has been paid in full. The Creditor hereby assigns, transfers and sets over unto Gerber, any and all such bankruptcy dividends and payments on or in respect of the Subordinated Liabilities, together with all of the Creditor's right to receive the same, and covenants that if any such payments or bankruptcy dividends on or in respect of the Subordinated Liabilities shall come into the possession of the Creditor, it will receive the same as trustee for Gerber and will immediately account to Gerber for the same and deliver the same over to Gerber until such time as the Superior Indebtedness is indefeasibly paid. The Star Borrower hereby acknowledges receipt of notice of such assignment and consents thereto. If any such bankruptcy dividends or payments received by Gerber on the above-mentioned claims of the Creditor against the Star Borrower on account of the Subordinated Liabilities, when added to any bankruptcy dividends or payments received directly by Gerber, shall be sufficient to pay in full all indebtedness of the Borrower to Gerber under or in respect of the Credit Agreement and all other Superior Indebtedness, if any, together with interest thereon (accrued as aforesaid), Gerber shall pay the amount of any excess to the Creditor and Gerber shall thenceforth similarly pay to the Creditor any additional bankruptcy dividends or other payments they may thereafter receive on account of the indebtedness of the Borrower to Gerber.

6. The Creditor shall join in any request made by Gerber that Creditor participate and otherwise cooperate fully with Gerber in any proceeding or undertaking by Gerber to enforce Gerber's rights and remedies pursuant to the Superior Indebtedness, so long as such participation is not against the Creditor's duties and responsibilities set forth and regulated by the SEC, or other state and federal laws. The Creditor shall not contest the prior rights and remedies of Gerber in any proceeding, whether or not a bankruptcy or insolvency proceeding. Creditor shall vote and act (including, but not limited to, filing such documents and proofs of claim) consistent with the interests of Gerber and the terms of this Subordination Agreement in the event of a bankruptcy or insolvency proceeding, so long as such is not inconsistent with the Creditor's duties and responsibilities set forth and regulated by the SEC, or other state and federal laws.

7. This instrument embodies the entire agreement of the parties hereto concerning the subject matter hereof, and it is acknowledged that there are no customs, representations, promises, terms, conditions or obligations referring to the subject matter, and no inducements or representations leading to the execution or delivery hereof, other than those set forth or referred to herein. No failure on the part of Gerber to exercise and no delay in exercising any right hereunder or on any Note or under the Credit Agreement, or any of the Credit Documents shall be construed as a waiver of the right to exercise the same or any other right at any other time and from time to time thereafter.

8. Gerber and any other holder of any Note issued under the Credit Agreement shall not be prejudiced in its right to enforce subordination of the Subordinated Liabilities by any act or failure to act on the part of either the Star Borrower or the Creditor nor by any release of security, if any, for any Note. The provisions of this Agreement are solely for the purpose of defining the relative rights of Gerber, on the one hand, and the Creditor, on the other hand, and nothing herein is intended to or shall impair, as between the Star Borrower and the Creditor, the obligation of the Star Borrower, which is absolute and unconditional, to pay to the Creditor the

Subordinated Liabilities in accordance with the terms thereof, subject to the restriction set forth in Section 4 hereof and, subject to the rights of Gerber hereunder to receive cash, property or securities otherwise payable or deliverable to the Creditor.

9. Nothing herein contained shall impair any rights of Gerber with respect to any collateral hereafter pledged to Gerber as security for any indebtedness of the Borrower, or to the proceeds of such collateral. Gerber may at any time, without notice to the Creditor, release any guarantor or other party primarily or secondarily liable for any indebtedness of the Borrower to Gerber and may release all or any part of any collateral held by Gerber as security for any such indebtedness of the Borrower, all without in any manner affecting the obligations of the Creditor under this Agreement.

10. Notwithstanding the provisions of this Agreement, the Star Borrower shall be permitted to pay, and the Creditor shall be permitted to receive, from time to time as and when the same shall accrue and become due and payable as specified on the face of the Subordinated Notes (but not before), interest and principal payments on the Subordinated Notes in accordance with its terms, provided that at the time of each such payment and after giving effect thereto there shall not have occurred and then be continuing any Event of Default (as defined in the Credit Agreement), nor any event which with the giving of notice or the lapse of time, or both, would constitute such an Event of Default; and provided further, that nothing contained in this Section 10 shall authorize any prepayment, redemption prior to maturity or advance refunding of the Subordinated Notes.

11. In the event that this Agreement becomes inoperative for any reason, including without limitation the payment to Gerber of all of the indebtedness of the Borrower and the discharge of all of the obligations of the Borrower under the Superior Indebtedness, this Agreement shall not be terminated but shall immediately and automatically become operative again whenever and as often as any indebtedness of the Borrower to Gerber under or in respect of the Superior Indebtedness shall in any manner come into existence. This Agreement may be modified or terminated only by an instrument in writing signed by all of the parties hereto.

12. The Creditor hereby specifically approves and agrees to all of the terms and conditions set forth in each of the Credit Agreement (including the exhibits thereto) and all other agreements, written or oral, made between Gerber and the Borrower in connection with the transactions contemplated by the Credit Agreement and the Superior Indebtedness. The Creditor further agrees that notice of such Credit Agreement and other agreements need not be given to the Creditor and further specifically waives notice of any and all defaults on the part of the Borrower. The Creditor and the Star Borrower waive presentment, notice of dishonor and protest of any and all negotiable instruments evidencing any indebtedness of the Borrower under or in respect of the Credit Agreement.

13. To induce Gerber to accept this Agreement and, in reliance hereon, to make loans to the Borrower under the Credit Agreement, the Creditor hereby affixes a legend to the Subordinated Notes, that enforcement thereof is subject to this Agreement and hereby delivers copies of any and all Subordinated Notes to Gerber with such legend.

14. The Star Borrower and Creditor make the following representations and warranties to Gerber:

- (i) The Subordinated Liabilities is valid and the Star Borrower has no defense to, counterclaim, or set-off against it.
- (ii) The Creditor has not endorsed, assigned, mortgaged, hypothecated, subordinated, disposed of, or modified the Subordinated Liabilities other than as set forth in this Agreement.
- (iii) The Star Borrower has not mortgaged, pledged, or assigned any property, whether real or personal, as security for the Subordinated Liabilities.
- (iv) There are no liens or claims, whether pending or threatened, against the Subordinated Liabilities.

15. All notices, request, demands, directions and other communication provided for herein shall be in writing (including telegraphic communication) and shall be mailed or telegraphed or delivered in hand to the applicable party at its address indicated below:

15.1 If to the Creditor: Star Equity Holdings, Inc.
53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial Officer

With a copy to (which shall not constitute notice):

Hannah M. Bible, Esq. Vice President – Legal Star
Equity Holdings, Inc.
53 Forest Avenue, 1st Floor Old Greenwich, CT 06870

15.2 If to the Star Borrower: ATRM Holdings, Inc.
53 Forest Avenue
Old Greenwich, CT 06870 Attn: David J. Noble

EdgeBuilder, Inc. 53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial
Officer

Glenbrook Building Supply, Inc. 53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial
Officer

KBS Builders, Inc. 53 Forest Avenue
Old Greenwich, CT 06870 Attn: Chief Financial
Officer

With a copy to (which shall not constitute notice):

Hannah M. Bible, Esq. Vice President – Legal Star
Equity Holdings, Inc.
53 Forest Avenue, 1st Floor Old Greenwich, CT 06870

15.3 If to Gerber: Gerber Finance Inc.
8 West 40th Street, 14th Floor New York, New York
10018 Attn: Gerald Joseph

or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section. All such notices, requests, demands, directions and other communication shall, when mailed or telegraphed, be effective when deposited in the mails or delivered to the telegraph company, as the case may be, addressed or aforesaid.

16. This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State of New York. Each of the Star Borrower and the Creditor hereby consents to the jurisdiction of the courts of the State of New York in any action or proceeding which may be brought against it under or in connection with this Agreement or any of the transactions contemplated hereby or to enforce any covenant or undertaking contained herein or trust created hereunder, and in the event any such action or proceeding shall be brought against it, each of the Star Borrower and the Creditor agrees not to raise any objection to such jurisdiction or to the laying of the venue thereof in New York County, and further agrees that service of process in any such action or proceeding may be duly effected upon it by service in accordance with the provisions of the Uniform Interstate and International Procedure Act.

17. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. Each of the parties hereto expressly states that such party intends to be legally bound hereby.

18. This Agreement may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

19. **THE BORROWER, THE CREDITOR AND GERBER HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY LITIGATION RELATING TO THIS AGREEMENT AS AN INDUCEMENT TO THE EXECUTION OF THIS AGREEMENT.**

20. This Agreement amends and restates Subordination Agreements dated December 20, 2018 and January 31, 2020 but is not a novation thereof.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK — Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their names as of the day and year first above written,

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Executive Chairman
Address: 53 Forest Avenue, Suite 101
Old Greenwich, CT 06870
Telephone No.: 203-489-9501
Facsimile No.: 203-990-0727

ATRM HOLDINGS, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President

KBS BUILDER, INC.

By: /s/ Matt Mosher
Name: Matt Mosher
Title: General Manager

EDGEBUILDER, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

GLENBROOK BUILDING SUPPLY, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

[Signature Page to Amend and Restated Subordination Agreement-Star Equity Holdings, Inc. –signatures continued on following page]

(signatures continued from previous page)

CONSENT:

STAR REAL ESTATE HOLDINGS USA, INC.

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

300 PARK STREET, LLC

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

56 MECHANIC FALLES ROAD, LLC

By: /s/ David J. Noble

Name: David J. Noble

Title: President and Chief Executive Officer

[Signatures continued on following page]

***[End of Signature Pages to Amended and Restated Subordination Agreement
- Star Equity Holdings, Inc.]***

[signatures continued from previous page]

GERBER FINANCE INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

[Signatures continued on following page-Amended and Restated Subordination Agreement – Star Equity Holdings, Inc.]

FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020

THIS FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020, (this “Fourth Amendment”) is entered into as of this 30 day of July, 2021 (the “Effective Date”), by and among **Gerber Finance Inc.**, a New York corporation (“Lender”) **EdgeBuilder, Inc.**, a Delaware Corporation and **Glenbrook Building Supply, Inc.**, a Delaware corporation (individually, “Initial Borrower”) and, collectively, if more than one, the “Initial Borrowers”), and together with each other Person which, on or subsequent to the Closing Date, agrees in writing to become a “Borrower” hereunder, herein called, individually, a “Borrower” and, collectively, the “Borrowers,” and pending the inclusion by written agreement of any other such Person, besides each Initial Borrower, as a “Borrower” hereunder, all references herein to “Borrowers,” “each Borrower,” the “applicable Borrower,” “such Borrower” or any similar variations thereof (whether singular or plural) shall all mean and refer to the Initial Borrower or each one of them collectively) and **Star Real Estate Holdings USA, Inc.**, a Delaware corporation, **300 Park Street, LLC**, a Delaware limited liability company, **947 Waterford Road, LLC**, a Delaware limited liability company, **56 Mechanic Falls Road, LLC**, a Delaware limited liability company, **ATRM Holdings, Inc.**, a Minnesota corporation, **KBS Builders, Inc.**, a Delaware corporation, and **Star Equity Holdings, Inc.**, a Delaware corporation, a Delaware corporation (individually or collectively, as the context may require, “Guarantor”).

RECITALS

A. Lender and Borrowers entered into a Loan and Security Agreement dated as of January 31, 2020, as amended by (i) First Amendment to Loan and Security Agreement dated March 5, 2020 and (ii) Second Amendment to Loan and Security Agreement dated July 1, 2020 and (iii) Third Amendment to Loan and Security Agreement dated February 26, 2021 (as further amended, modified, restated or supplemented from time to time, the “Loan Agreement”).

B. The Loans are secured by, among other things, Guarantor’s guaranty by its execution of the Loan Agreement as a Corporate Credit Party (“Guaranty”).

C. ATRM Holdings, Inc. has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

D. Lone Star Co-Invest I, LP has executed an Amended and Restated Subordination Agreement dated January 31, 2020; Lone Star Value Management, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020; each is no longer a Subordinated Lender as defined in the Loan Agreement and their respective Subordination Agreements are being cancelled and replaced by an Amended and Restated Subordination Agreement of even date executed by Star Equity Holdings, Inc., which has retired the underlying debt or otherwise agreed to replace Lone Star Co-Invest I, LP and Lone Star Value Management, LLC as a Subordinated Lender.

E. Star Procurement, LLC has executed an Amended and Restated Subordination Agreement dated January 31, 2020 and is a Subordinated Lender as defined in the Loan Agreement.

F. Lender has consented to the payment in full by Borrowers of all of their obligations to Premier Bank; and Borrowers have provided evidence that Premier Bank has filed UCC Amendments terminating all security interests in the assets of the Borrowers including but not limited to #20174273543 and #20174273394.

G. Borrowers have executed an Amended and Restated Note in the maximum principal amount of \$4,000,000 contemporaneously herewith and in consideration of this Fourth Amendment.

H. The parties wish to clarify their rights and duties to one another as set forth in the Credit Documents.

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, in consideration of the Recitals above which are incorporated into and made a part of this Fourth Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENTS

1. Lender, Borrowers and Guarantor reaffirm consent and agree to all of the terms and conditions of the Credit Documents defined in the Loan Agreement as binding, effective and enforceable according to their stated terms, except to the extent that such Credit Documents are hereby expressly modified by this Fourth Amendment.

2. In the case of any ambiguity or inconsistency between the Credit Documents and this Fourth Amendment, the language and interpretation of this Fourth Amendment is to be deemed binding and paramount.

3. The Credit Documents (and any exhibits thereto) are hereby amended as follows:

As to the Loan Agreement:

A. Section 1.1 Definitions are hereby amended to read as follows:

“Inventory Availability” means the amount of Revolving Credit Advances against Eligible Inventory Lender may from time to time make available to Borrowers up to the lesser of (a) \$700,000 for each Borrower, or (b) up to fifty percent (50%) of the value of Borrowers’ Eligible Inventory (calculated on the basis of the lower of cost or market, on a first-in first-out basis) with a sublimit of up to the lesser of (x) \$100,000 or (y) up to twenty- five (25%) percent of the value of Borrowers’ otherwise Eligible Inventory consisting of windows or doors (calculated on the basis of the lower of cost or market, on a first-in first-out basis), held by Borrowers for not more than thirty (30) days, or (c) the amount of Accounts Availability.

“Maximum Revolving Amount” means \$4,000,000.

“Note” means the Amended and Restated Promissory Note of Borrowers executed in favor of Lender substantially in the form of Exhibit A.

“Subordinated Lender” means collectively, any Person who enters into a Subordination Agreement with Lender with respect to amounts owed by any Credit Party to such Subordinated Lender, including but not limited

to Star Procurement, Inc., Star Equity Holdings, Inc., and ATRM Holdings, Inc.”

4. The Borrowers’ failure to comply with the “Minimum EBITDA” and “Net Operating Loss” financial covenants on Schedule III of the Loan Agreement as of June 30, 2021 constitute Events of Default under the Loan Agreement. Lender hereby agrees to grant a waiver thereof provided, however, that this waiver does not constitute (i) a modification or an alteration of any of the terms, conditions or covenants of the Loan Agreement or any Credit Documents, all of which remain in full force and effect, or (ii) a waiver, release or limitation upon Lender’s exercise of any of its rights and remedies thereunder, all of which are hereby expressly reserved, or (iii) a waiver of compliance with Schedule III for any other period or purpose. This waiver does not relieve or release the Borrowers in any way from any of the other respective duties, obligations, covenants or agreements under the Loan Agreement or the other Credit Documents or from the consequences of any other Event of Default thereunder, except as expressly described above. This waiver does not obligate Lender, or be construed to require Lender, to waive any other Event of Default or defaults, whether now existing or which may occur after the date of this waiver.

5. Capitalized terms used in this Fourth Amendment which are not otherwise defined herein have the meaning ascribed thereto in the Credit Documents.

6. The parties agree to sign, deliver and file any additional documents and take any other actions that may reasonably be required by Lender including, but not limited to, affidavits, resolutions, or certificates for a full and complete consummation of the matters covered by this Fourth Amendment.

7. Each of Borrowers, Guarantor and the Credit Parties on behalf of itself and its affiliates, heirs, successors and assigns (collectively, “Releasing Parties”), hereby releases and forever discharges Lender, any trustee of the Loans, any servicer of the Loans, each of their respective predecessors-in-interest and successors and assigns, together with the officers, directors, partners, employees, investors, certificate holders and agents of each of the foregoing (collectively, the “Lender Parties”), from all debts, accountings, bonds, warranties, representations, covenants, promises, contracts, controversies, agreements, claims, damages, judgments, executions, actions, inactions, liabilities, demands or causes of action of any nature, at law or in equity, known or unknown, which such Releasing Party has or had prior to and including the date hereof relating in any manner whatsoever to matters arising out of: (a) the Loans, including, without limitation, its funding, administration and servicing; (b) the Credit Documents; or (c) any reserve and/or escrow balances held by Lender or any servicers of the Loans.

8. Borrowers, Guarantor and the Credit Parties, jointly and severally, agree to reimburse, defend, indemnify and hold Lender harmless from and against any and all liabilities, claims, damages, penalties, reasonable expenditures, losses or charges (including, but not limited to, all reasonable legal fees and court costs), which may now or in the future be undertaken, suffered, paid, awarded, assessed or otherwise incurred as a result of or arising out of any fraudulent conduct of Borrowers, Guarantor or any Credit Party in connection with the Credit Documents or of any breach of any of the representations or warranties made in any material respect.

9. This Fourth Amendment is binding upon, inures to the benefit of, and is enforceable by the heirs, personal representatives, successors and assigns of the parties. This Fourth Amendment is not assignable by a Borrower or Guarantor without the prior written consent of Lender.

10. To the extent that any provision of this Fourth Amendment is determined by any court or legislature to be invalid or unenforceable in whole or part either in a particular case or in all cases, such provision or part thereof is to be deemed surplusage. If that occurs, it does not have the effect of rendering any other provision of this Fourth Amendment invalid or unenforceable. This Fourth Amendment is to be construed and enforced as if such invalid or unenforceable provision or part thereof were omitted.

11. This Fourth Amendment may only be changed or amended by a written agreement signed by all of the parties hereto. By the execution of this Fourth Amendment, Lender is not to be deemed to consent to any future renewal or extension of the Loans. This Fourth Amendment is deemed to be part of and integrated into the Credit Documents.

12. THIS FOURTH AMENDMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO THE CONTRACTS MADE AND PERFORMED IN SUCH STATE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

13. The parties to this Fourth Amendment acknowledge that each has had the opportunity to consult independent counsel of their own choice, and that each has relied upon such counsel's advice concerning this Fourth Amendment, the enforceability and interpretation of the terms contained in this Fourth Amendment and the consummation of the transactions and matters covered by this Fourth Amendment.

14. Borrowers agree to pay all attorneys' fees and other costs incurred by Lender or otherwise payable in connection with this Fourth Amendment (in addition to those otherwise payable pursuant to the Credit Documents), which fees and costs are to be paid as of the date hereof. Borrowers also agree to pay a fee of \$5,000 to Lender as of the date hereof on account of the covenant waivers in Paragraph No. 4 hereof.

15. This Fourth Amendment may be executed in any number of counterparts, each of which when so executed is deemed to be an original and all of which taken together constitute but one and the same agreement. Delivery of an executed counterpart of this Fourth Amendment by facsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Fourth Amendment. Any party delivering an executed counterpart of this Fourth Amendment by facsimile or other electronic method of transmission also shall deliver an original executed counterpart of this Fourth Amendment but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Fourth Amendment.

16. BORROWERS, GUARANTOR, EACH OF THE CREDIT PARTIES AND LENDER EACH HEREBY AGREES NOT TO ELECT A TRIAL BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS FOURTH AMENDMENT, THE CREDIT DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

[Signatures appear on the following pages]

IN WITNESS WHEREOF, the undersigned have caused this Fourth Amendment to be executed as of the Effective Date.

LENDER:

GERBER FINANCE, INC.

By: /s/ Kevin McGarry
Name: Kevin McGarry
Title: Chief Credit Officer

BORROWER:

EDGEBUILDER, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

GLENBROOK BUILDING SUPPLY, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

[Signatures to Fourth Amendment to Loan and Security Agreement dated January 31, 2020 --signatures continued on following page]

(signatures continued from previous page)

GUARANTOR:

STAR REAL ESTATE HOLDINGS USA, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

300 PARK STREET, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

947 WATERFORD ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

56 MECHANIC FALLS ROAD, LLC

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

ATRM HOLDINGS, INC.

By: /s/ David J. Noble
Name: David J. Noble
Title: President and Chief Executive Officer

KBS BUILDERS, INC.

By: /s/ Matthew Mosher
Name: Matthew Mosher
Title: General Manager

STAR EQUITY HOLDINGS, INC.

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Executive Chairman

[End of Signatures to the Fourth Amendment to Loan and Security Agreement dated January 31, 2020]

**CONSENTS TO FOURTH AMENDMENT
TO LOAN AND SECURITY AGREEMENT DATED JANUARY 31, 2020**

We hereby consent and agree to the attached terms of the Fourth Amendment to Loan and Security Agreement dated January 31, 2020.

STAR EQUITY HOLDINGS, INC.

(as Creditor pursuant to Amended and Restated Subordination Agreement dated July 30, 2021)

By: /s/ Jeffrey E. Eberwein

Name: Jeffrey E. Eberwein

Title: Executive Chairman

STAR PROCUREMENT, LLC

(as Creditor pursuant to Amended and Restated Subordination Agreement dated January 31, 2020)

By: /s/ David J. Noble

Name: David J. Noble

Title: Manager

*[End of Signature Page to Consents to Fourth Amendment to Loan and Security
Agreement Dated January 31, 2020]*

AMENDED AND RESTATED PROMISSORY NOTE

\$4,000,000.00 July 30, 2021

This Amended and Restated Promissory Note (this “Note”) is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated as of January 31, 2020 (as amended, modified, supplemented or restated from time to time, the “Loan Agreement”) by and among EdgeBuilder, Inc., a Delaware corporation and Glenbrook Building Supply, Inc., a Delaware corporation (“Borrower”, individually, “Initial Borrower” and, collectively, if more than one, the “Initial Borrowers”), and together with each other Person which, on or subsequent to the Closing Date, agrees in writing to become a “Borrower” under the Loan Agreement, herein called, individually, a “Borrower” and, collectively, the “Borrowers,” and pending the inclusion by written agreement of any other such Person, besides each Initial Borrower, as a “Borrower” hereunder, all references herein to “Borrowers,” “each Borrower,” the “applicable Borrower,” “such Borrower” or any similar variations thereof (whether singular or plural) shall all mean and refer to the Initial Borrower or each one of them collectively) and Gerber Finance Inc. (“Lender”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers, jointly and severally, promise to pay to the order of Lender at its offices located at 8 West 40th Street, 14th Floor, New York, New York 10018 or at such other place as the holder hereof may from time to time designate to Borrower in writing:

(i) the principal sum of FOUR MILLION AND 00/100 DOLLARS (\$4,000,000.00), or if different from such amount, the unpaid principal balance of Loans as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement, or earlier termination of the Loan Agreement pursuant to the terms thereof; and

(ii) interest on the principal amount of this Note from time to time outstanding, payable at the applicable interest rate in accordance with the provisions of the Loan Agreement. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is the Note referred to in the Loan Agreement and is secured, inter alia, by the liens granted pursuant to the Loan Agreement and the other Credit Documents, is entitled to the benefits of the Loan Agreement and the other Credit Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 12.1(f) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with attorneys’ fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the other Credit

Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

To the fullest extent permitted by applicable law, each Borrower waives: (a) presentment, demand and protest, and notice of presentment, dishonor, intent to accelerate, acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all of the Obligations, the Loan Agreement, this Note or any other Credit Documents; (b) all rights to notice and a hearing prior to Lender's taking possession or control of, or to Lender's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing Lender to exercise any of its remedies; and (c) the benefit of all valuation, appraisal and exemption laws.

Each Borrower acknowledges that this Note is executed as part of a commercial transaction and that the proceeds of this Note will not be used for any personal or consumer purpose.

This Note amends and restates Promissory Note dated January 31, 2020 but the underlying debt and obligations are extended and not replaced. This is not a novation.

[Signature Page Follows]

Each Borrower agrees to pay to Lender all fees and expenses described in the Loan Agreement and the other Credit Documents.

EDGEBUILDER, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

GLENBROOK BUILDING SUPPLY, INC.

By: /s/ Ron Schumacher
Name: Ron Schumacher
Title: Executive Chairman

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey E. Eberwein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 10, 2021

/s/ Jeffrey E. Eberwein

Jeffrey E. Eberwein

Executive Chairman

(Principal Executive Officer)

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David J. Noble, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Star Equity Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 10, 2021

/s/ David J. Noble

David J. Noble

*Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)*

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, I, Jeffrey E. Eberwein, Executive Chairman of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

August 10, 2021

/s/ Jeffrey E. Eberwein

Jeffrey E. Eberwein

Executive Chairman

(Principal Executive Officer)

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the accompanying Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, I, David J. Noble, Chief Financial Officer of Star Equity Holdings, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) such Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Quarterly Report on Form 10-Q of Star Equity Holdings, Inc. for the period ended June 30, 2021, fairly presents, in all material respects, the financial condition and results of operations of Star Equity Holdings, Inc. at the dates and for the periods indicated.

This certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

August 10, 2021

/s/ David J. Noble

David J. Noble

*Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)*

A signed copy of this written statement required by Section 906 has been provided to Star Equity Holdings, Inc. and will be retained by Star Equity Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.